COVER SHEET

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INTEGRATED MICRO-ELECTRONICS, INC.

(Company's Full Name)

NORTH SCIENCE AVE., LAGUNA
TECHNOPARK, BINAN, LAGUNA

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

ATTY. SOLOMON HERMOSURA	908-3346
Contact Person	Company Telephone Number

1 2	3 1	SEC FORM 17-A	0 4	0 4
Month	*Day*	FORM TYPE	*Month*	*Day*
Fiscal Year			Annual Meeting	

Secondary License Type, if Applicable

C F D

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. Of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

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SEC Number: 94419
File Number: ______

INTEGRATED MICRO-ELECTRONICS, INC.

(Company's Full Name)

33/F Tower One, Ayala Triangle, Ayala Avenue, Makati City

(Company Address)

(632) 756-6840

(Telephone Number)

December 31, 2014

(Fiscal Year Ending)
(Month & Day)

SEC Form 17-A

(Form Type)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended: **December 31, 2014**

2. SEC Identification Number: **94419**

3. BIR Tax Identification No. **000-409-747-000**

4. Exact name of issuer as specified in its charter: **INTEGRATED MICRO-ELECTRONICS, INC.**

5. Province, Country or other jurisdiction of incorporation or organization: **Philippines**

6. Industry Classification Code: __________ (SEC Use Only)

7. Address of principal office: **34/F, Tower One, Ayala Triangle, Ayala Avenue, Makati City**
   Postal Code: **1226**

8. Registrant's telephone number: **(632) 756-6840**

9. Former name, former address, and former fiscal year: **Not applicable**

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

Title of Each Class	Number of Shares Issued and Outstanding
Common *	1,856,899,921

* Net of 15,892,124 treasury shares

11. Are any or all of these securities listed on a Stock Exchange? Yes [**x**] No [ ]

    1,350,636,697 common shares are listed with the Philippine Stock Exchange, including 15,892,124 treasury shares.

12. Check whether the registrant:

    (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports): Yes [**x**] No [ ]

    (b) has been subject to such filing requirements for the past ninety (90) days: Yes [**x**] No [ ]

13. The aggregate market value of the voting stock held by non-affiliates of the Company is about ₱6.4 billion (based on closing stock price of IMI common shares as of December 31, 2014 and issue value of IMI preferred shares.

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PART I - BUSINESS AND GENERAL INFORMATION

ITEM 1. BUSINESS

(A) Description of Business

(1) Business Development

Integrated Micro-Electronics, Inc. (the "Parent Company"), a stock corporation organized and registered under the laws of the Republic of the Philippines on August 8, 1980, has four wholly-owned subsidiaries, namely: IMI International (Singapore) Pte. Ltd. (IMI Singapore), IMI USA, Inc. (IMI USA), IMI Japan, Inc. (IMI Japan) and PSi Technologies, Inc. (PSi) (collectively referred to as the "Group"). The Parent Company is 50.92% owned by AYC Holdings, Ltd. (AYC), a corporation incorporated in the British Virgin Islands and a wholly-owned subsidiary of AC International Finance Ltd. under the umbrella of Ayala Corporation (AC), a corporation incorporated in the Republic of the Philippines and listed in the Philippine Stock Exchange (PSE). AC is 49.03% owned by Mermac, Inc., 10.18% owned by Mitsubishi Corporation and the rest by the public. The registered office address of the Parent Company is North Science Avenue, Laguna, Technopark, Biñan, Laguna.

The Parent Company was listed by way of introduction in the PSE on January 21, 2010. It has completed its follow-on offering and listing of 215,000,000 common shares on December 5, 2014.

The Parent Company is registered with the Philippine Economic Zone Authority (PEZA) as an exporter of printed circuit board assembly (PCBA), flip chip assembly, box build sub-assembly, and enclosure system, and provider of electronics product design, research and development, product development outsourcing, and other electronic parts, among others. The Parent Company is also engaged in the business of providing test development and systems integration services and distributing related products and equipment and related services.

IMI Singapore was incorporated and is domiciled in Singapore. It is engaged in the procurement of raw materials, supplies and provision of customer services. Its wholly-owned subsidiary, Speedy-Tech Electronics Ltd. (STEL), was incorporated and is domiciled also in Singapore. STEL, on its own, has subsidiaries located in Hong Kong, People's Republic of China (PRC), and Philippines. STEL and its subsidiaries (collectively referred to as "STEL Group") are principally engaged in the provision of Electronic Manufacturing Services (EMS) and Power Electronics solutions to original equipment manufacturing (OEM) customers in the consumer electronics, computer peripherals/information technology, industrial equipment, telecommunications and medical device sectors.

On April 16, 2009, IMI Singapore established its Philippine Regional Operating Headquarters ("IMI International ROHQ" or "IMI ROHQ"). It serves as a supervisory, communications and coordinating center for the affiliates and subsidiaries of IMI Singapore.

On December 14, 2012, the Directors of STEL approved the assignment of assets and liabilities of its subsidiary, Speedy-Tech (Philippines), Inc. (STPH), to the Parent Company. On June 13, 2013, the Board of Directors (BOD) of the Parent Company authorized the transfer of all rights, title and ownership over all of the assets, and assumption of liabilities and obligations of STPH as of December 31, 2012. The Deed of Assignment was executed on July 30, 2013.

On July 29, 2011, the Parent Company and EPIQ NV executed a Share Purchase Agreement (SPA) wherein EPIQ NV agreed to sell to Cooperatief IMI Europe U.A. (Cooperatief), an indirect subsidiary of the Parent Company, all of its shares in its subsidiaries, Integrated Micro-Electronics Bulgaria EOOD (formerly EPIQ Electronic Assembly EOOD) (IMI BG), Integrated Micro-Electronics Czech Republic s.r.o. (formerly EPIQ CZ s.r.o.) (IMI CZ) and Integrated Micro-Electronics Mexico, S.A.P.I. de C.V. (formerly EPIQ MX, S.A.P.I de C.V.) (IMI MX) (collectively referred to as "IMI EU/MX Subsidiaries") in exchange for €43.45 million ($59.77 million) consisting of the Parent Company's 200 million common shares with a value of €24.37 million ($28.81 million), and €19.08 million ($27.32 million) to be paid by the Parent Company in cash, out of which €4.83 million ($6.92 million) will be paid upfront and the balance to be paid on a deferred basis.

The aggregate purchase consideration of €43.45 million is broken down into: (1) payment of approximately €11.73 million ($16.80 million) to EPIQ NV in consideration of assumption of the receivables of EPIQ NV from the IMI EU/MX Subsidiaries that was transferred to Cooperatief; and (2) payment of approximately €31.72 million ($39.32 million) to EPIQ NV for the purchase of equity share in the IMI EU/MX Subsidiaries.

IMI EU/MX Subsidiaries design and produce printed circuits and spray casting of plastics, and supply assembled and tested systems and sub-systems which include drive and control elements for automotive equipment, household appliances, industrial market and other applications with plastic parts and electronic components. IMI EU/MX Subsidiaries also provide engineering, research and development, and logistics management services.

IMI USA acts as direct support to the Group's customers by providing program management, customer service, engineering development and prototype manufacturing services to both North American and European customers, especially for processes using direct die attach to various electronics substrates. It specializes in prototyping low to medium PCBA and sub-assembly and is at the forefront of technology with regard to precision assembly capabilities including, but not limited to, Surface Mount Technology (SMT), Chip on Flex, Chip on Board and Flip Chip on Flex. IMI USA is also engaged in engineering, design for manufacturing technology, advanced manufacturing process development, new product introduction (NPI), direct chip attach and small precision assemblies.

IMI Japan was registered and is domiciled in Japan to serve as IMI's front-end design and product development and sales support center. IMI Japan was established to attract more Japanese OEMs to outsource their product development to IMI.

PSi is a power semiconductor assembly and test services (SATS) company serving niche markets in the global power semiconductor market. It provides comprehensive package design, assembly and test services for power semiconductors used in various electronic devices.

PSi owns 40% of PSiTech Realty, Inc. (PSiTech Realty), the holding company of Pacsem Realty, Inc. (Pacsem Realty), which is a real estate company that acquires, holds, develops and disposes any real estate or interest acquired.

On June 21, 2012, the Philippine Securities and Exchange Commission (SEC) approved the legal merger of PSi Technologies Laguna, Inc. and PSi, with the former as the absorbed entity and PSi as the surviving entity. On the same date, the respective BOD of PSi, Pacsem Realty and PSiTech Realty authorized the dissolution and liquidation of Pacsem Realty and PSiTech Realty by shortening their corporate life up to December 31, 2013, subject to the approval of the Philippine SEC. As of February 17, 2015, Pacsem Realty and PSiTech Realty are in the process of completing the Philippine SEC requirements for dissolution.

(2) Business of Issuer

Principal Products and Services

Design and Engineering Solutions

Partnering with IMI allows a complete and successful product development. This is made possible by IMI's capability to design and develop complete products and subsystems, analyze product design and materials for costs reduction through value and profit engineering, and develop solutions for cost-effective production and fast time-to-market while safeguarding intellectual property. IMI's product development and engineering service offerings include Contract Design and Joint Development Solutions, Advanced Manufacturing Engineering (AME), Test and Systems Development, and Reliability/Failure Analysis and Calibration Quality Test solutions.

Supply Chain Solutions

IMI's supply chain management solutions are equipped to help partners reduce the risk brought about by a volatile global market. The three-pronged approach include a systematic Order Management Solution, a dynamic Supply Chain Strategy hinged on Supplier Managed Inventory, Continuous Replenishment and Buffer Stock Programs, and a comprehensive Cost Management Solution that revolves around regular price reviews and negotiations with leading materials strategic supplier-partners, distributors and manufacturers.

Manufacturing Solutions

IMI's comprehensive manufacturing experience allows a prospective client to leverage its strength in RoHS-compliant and cleanroom manufacturing process, complex manufacturing using consigned equipment and materials, complete turnkey manufacturing, and ERP-based planning. IMI has the essential infrastructure equipment, manpower and quality systems to assure quick start of operations and turnaround time. These include: PCBA and FCPA Assembly (Flexible PCBA, Aluminum PCBA, Ceramic PCBA, Flip Chip On Flex, Chip-On-Board, Chip-On-flex, Chip-On-Glass, Hybrid Module PCBA), Automated Through-Hole Assembly, PCBA with Multiple BGA SMT - Automated Manufacturing, Complete Box build Solutions, Sub Assembly services, Component Assembly and Manufacturing of Enclosure Systems.

Business Models

IMI recognizes the uniqueness of each customer's requirements. To satisfy specific requests, IMI offers flexible business models that allow it to build the perfect assembly for its client's manufacturing requirements.

The "Standard" and "Semi-custom" business models pertain to IMI's PCBA processes. IMI invests in SMT lines which support multiple customer requirements. Back-end and box build processes are also set-up depending on customer requirements.

The "Custom" Business Model gives the client a free hand in designing the systems by offering a dedicated facility manned by an independent and exclusive organization that will build the system from ground up. With quality structures and operational procedures compatible with the client's systems, IMI's line serves as the client's extension plant, assuring that all the parts and processes are customized to the client's particular needs.

Capabilities and Solutions

IMI's capabilities allow it to take on the specific outsourcing needs of its customers, providing them with flexible solutions that encompass design, manufacturing, and order fulfilment. It develops platforms to customize solutions in response to its customers' unique requirements. Its platforms in areas like short-range wireless systems, embedded systems, and sensors and imaging technology represent capabilities to manufacture products. New manufacturing capabilities are developed by IMI's AME group. Its expertise includes immersion silver process, pre-flow underfill process, thermally enhanced flip chip technology, traceless flip chip technology, and flip chip on flex assembly, among others. IMI has a complete range of manufacturing solutions – from PCBA to complete box build. Through its flexible, efficient, and cost-effective end-to-end EMS solutions, IMI gives OEMs the luxury of focusing on their core competencies of technology R&D and brand marketing.

Subsidiary in Power Semiconductor Assembly and Test

IMI through its subsidiary, PSi, provides outsourced power semiconductor assembly and test services for legacy packages, power QFNs, and power modules.

Global Materials and Supply Chain Management

IMI will continue to strengthen and enhance its supply chain management capabilities through its global scale of operations which it believes will enable it to achieve greater bargaining power with suppliers and enable it to negotiate for lower costs and better quality of raw materials.

IMI's turnkey capabilities involve major commodities for direct/indirect materials: passive/active/mechanical/electro-mechanical components, existing vendor base for over 36,000 line items, and Global sourcing in Asia, US and Europe of over 200 major and strategic suppliers from over 2,000 suppliers listed in our database. IMI is not or is not expected to be dependent upon one supplier for raw materials or other items. IMI also has Vendor Partnership Programs to leverage for the most competitive cost and engaged the supply base on vendor qualification, certification and development.

With regard to inbound and outbound logistics, IMI are partners with the best in the industry. The major lines inbound are Singapore, Japan, Hong Kong, Taiwan, Malaysia, Thailand, Germany, and the U.S.. Major lines outbound are U.S., Germany, Malaysia, Hong Kong, Israel, Switzerland, Vietnam, UK, Japan, Singapore, and France.

IMI's warehousing capabilities include housing all direct and indirect materials, management of internal as well as third party logistics provider, satellite warehouses in other IMI plants and under the mySAPTM ERP System. Its mission is to offer strategic and competitive Supply Chain Management for complete order fulfilment of its Customers.

Product Capabilities

IMI has experience in working with some of the world's leading companies in the following products:

Automotive Electronics

- Automotive Camera
- Electronic Wiper System
- PCBA for Electronic Stability Program (ESP)
- Tire Pressure Sensor PCBA
- Car Windshield Temperature and Humidity Sensor
- Electronic Power Steering (EPS)
- Rotor Position Sensor (RPS)
- PCBA for Headlight
- Switch Controller for Main Light
- Communication Power PCBA
- Body Control Module (BCM)
- Antenna Receiver / DAB Tuner
- Powertrain Control Solutions
- Semiconductors used in Electric Drive/ Hybrid Electric Vehicles
- Fuel Management
- Pump Driver
- Steering Wheel Control Device
- Cockpit Control Device, Audio Processor
- Daytime Running Light
- Interior Plastic Parts
- Front lights
- A/C control panels
- Multi-functional switches
- HVAC
- Mirror control units
- Drives and ECU
- Headlamp
- Door system, seating, closures
- Digital antenna
- Video system

Industrial Electronics

- Automated Meter Reading (AMR)
- Security Device
- Electronic Door Access System
- Smart Card
- Point Of Sales System
- Printer Control Board
- Power Amplifier
- DC-DC Power Converter
- Engine Controllers
- Welding Machine Inverter
- Motor Drivers for Conveyor
- Fan Motor Control Board
- Computer Numerical Control (CNC) Control Board
- Main power supplies for LED street lighting
- Modules for renewable energy generation, transmission and conversion
- Solar Power Power Regulator
- Mobile Base Station Antenna
- Semiconductor Test Handling Equipment
- Control module for door lock system
- Power supply for printer
- ATM
- Switches for automated conveyor
- Garage door system
- LCD modules for heating system application
- LED lighting
- Card readers
- Aircon damper, multifunction switches
- Access control tags
- Fire alarm system
- Dosimeter
- Sensors for substation
- LCD controls
- Zigbee control unit
- Printer Point Of Sales System (POS)
- Gaming Machine
- Security management
- IGBT power module

Medical Electronics

- Flat Panel Imaging Equipment
- Auto Body Contouring Imaging Equipment
- Dental Imaging System
- Defibrillator ventillator
- Concealed Hearing Aid
- Biomedical and Laboratory Equipment
- Centrifuge Control Board
- Fitness Equipment Control Board
- Medical Instrument Power Supply
- DNA Analyzers
- COF, Medical X-Ray Detectors
- Medical Instrument Power Supply
- Radiation Dosimeter
- Finger Print Sensor

Telecommunications

- Back Panel for Telecommunication Board
- Fiber to the "X" (FFTx) systems
- Booster Amplifier
- GPON (Gigabit Passive Optical Network) Systems
- Wireless Security System
- Base Station Power Supply
- Digital Station Control Board
- Power Transistors for amplifiers in cellular base stations
- Power Conversion ICs in adapters and chargers for cell phones and cordless phones
- DC port and USB port protection for cell phones and satellite radio peripherals
- Communication infrastructure equipment
- Interface board for mobile phone

Computing and Storage Devices

- CD/Combo Drive
- DVD Drive
- Blu-Ray Disc Drive
- Hard Disk Drive
- Solid State Drives
- Printer Sensor
- Printer Control Board
- Multi-Function Copier Machine
- DVD Recorder Power Supply
- Power Supplies for Servers, PCs, Notebooks, and Netbooks, DVD recorder
- Over-voltage protection for HDD and DC port protection for keyboard mouse
- Flip Chip
- Cooling Fan Motor
- Thin Client System

Consumer Electronics

- Hybrid IC
- Gas Ignitor and Re-Ignitor
- Air-Conditioning (HVAC) Controller
- Power Management and Home Appliance for Lighting Control
- Refrigerator and Cooker Hood Control Board
- Projector Lamp Drivers
- Household Metering Device
- Bluetooth Headset
- Electric Drive Control for home appliances
- Main Power Supply for Flat-panel TV
- Power Supply for game consoles and entertainment electronics
- High Voltage Power Conversion ICs in adapters and chargers for personal electronics
- Garage Door Control
- Programmable Timer
- Pressure Cooker Modules
- Steamer Controller Modules
- Washing Machine controllers
- Coffee Machine
- Control Power module for cooker hood, Human Machine Interface, Air conditioner, refrigerator, household appliances
- Car audio ejector
- Digital/internet radio module

- Igniter/re-igniter for cooktop
- Lighting remote
- Power driver for digital projectors
- Power supply
- Security solution for handheld merchandise

Power Semiconductor

- Low-Medium Power Packages:
  - TO 220 Fpak 2/3L; TO 220 2/3/5/7L, SOT 82
  - PowerFlex 2/3/5/7L, TO252 / TO251, TO 263 3L;
  - 3 x 3 mm QFN, 3.3 x 3.3mm QFN ; 5x6mm QFN

- Medium-High Power Packages:

  - SOT 93 3L, TO 247 3L, TO 264 3/5L, SOT 227
  - Standard Packages - SP3, SP4, SP6
  - DRF, ARF

- Small Signal Packages - SOT 223 3L, TO 220 2/3/5/7L

Renewable Energy
- Photovolatics (PV) Panel Assembly
- Photovolatics (PV) Co-Design & Development
- Photovolatics (PV) Panel High Volume Manufacturing
- Photovolatics (PV) Panel Platform
- Photovolatics (PV) Inverter Platform
- Inverter Electronics

With regard to emerging product capabilities, IMI is pursuing OEMs in the Photovolatics (PV) or Solar Energy and Sensor and Imaging fields.

Except as otherwise disclosed as above, there are no other publicly-announced new products or services during the year.

Segment Information

The following tables present revenue and profit information regarding the Group's geographical segments for the years ended December 31, 2014, 2013 and 2012.

December 31, 2014	Philippines		Singapore/ China	Europe/ Mexico	USA	Japan	Consolidation and Eliminations	Total
	Parent Company	PSi						
Revenue:								
Third party	$204,940,387	$44,932,489	$325,647,491	$268,589,961	$354,090	$9,651	$–	$844,474,069
Intersegment	200,256	–	4,362,775	213,415	2,944,034	911,822	(8,632,302)	–
Total revenue	$205,140,643	$44,932,489	$330,010,266	$268,803,376	$3,298,124	$921,473	($8,632,302)	$844,474,069
Segment interest income	$801,508	$1,657	$348,410	$1,501	$–	$29	($956,834)	$196,271
Segment interest expense	$1,512,464	$604,941	$191,172	$1,459,203	$2,808	$1,049	($956,834)	$2,814,803
Segment profit (loss) before income tax	($5,175,103)	($1,213,530)	$22,615,459	$21,888,073	($3,545,872)	($961,743)	$1,584,007	$35,191,291
Segment provision for income tax	(1,122,750)	(121,146)	(4,376,209)	(579,223)	–	(580)	–	(6,199,908)
Segment profit (loss) after income tax	($6,297,853)	($1,334,676)	$18,239,250	$21,308,850	($3,545,872)	($962,323)	$1,584,007	$28,991,383
Net income (loss) attributable to the equity holders of the Parent Company	($6,297,853)	($1,111,118)	$18,220,367	$21,229,816	($3,545,872)	($962,323)	$1,584,007	$29,117,024

December 31, 2013	Philippines		Singapore/ China	Europe/ Mexico	USA	Japan	Consolidation and Eliminations	Total
	Parent Company	PSi						
Revenue:								
Third party	$188,897,145	$43,084,648	$277,190,054	$235,141,548	$372,446	$346,022	$–	$745,031,863
Intersegment	261,711	–	4,649,240	667,398	2,441,304	808,165	(8,827,818)	–
Total revenue	$189,158,856	$43,084,648	$281,839,294	$235,808,946	$2,813,750	$1,154,187	(8,827,818)	$745,031,863
Segment interest income	$597,797	$1,845	$149,569	$1,228	$–	$33	($531,895)	$218,577
Segment interest expense	$1,491,504	$426,845	$4,388	$1,489,099	$–	$–	($531,895)	$2,879,941
Segment profit (loss) before income tax	$7,790,112	($5,387,295)	$1,325,965	$13,631,087	($2,819,521)	($817,029)	–	$13,723,319
Segment provision for income tax	(488,474)	(51,629)	(2,193,264)	(1,793,244)	–	(670)	–	(4,527,281)
Segment profit (loss) after income tax	$7,301,638	($5,438,924)	($867,299)	$11,837,843	($2,819,521)	($817,699)	–	$9,196,038
Net income (loss) attributable to the equity holders of the Parent Company	$7,301,638	($4,141,439)	($875,764)	$11,825,779	($2,819,521)	($817,699)	–	$10,472,994

December 31, 2012	Philippines		Singapore/ China	Europe/ Mexico	USA	Japan	Consolidation and Eliminations	Total
	Parent Company	PSi						
Revenue:								
Third party	$156,419,891	$45,598,208	$276,656,630	$182,233,202	$457,897	$483,894	$–	$661,849,722
Intersegment	2,661,999	–	3,859,491	–	2,695,395	908,796	(10,125,681)	–
Total revenue	$159,081,890	$45,598,208	$280,516,121	$182,233,202	$3,153,292	$1,392,690	($10,125,681)	$661,849,722
Segment interest income	$469,490	$2,858	$125,175	$5,312	$–	$57	($335,800)	$267,092
Segment interest expense	$1,197,181	$323,317	$419,371	$1,414,671	$1,945	$788	($335,800)	$3,021,473
Segment profit (loss) before income tax	$2,534,049	-$10,510,556	$8,927,378	$8,146,233	-$3,573,159	-$774,880	–	4,749,065
Segment provision for (benefit from) income tax	(697,757)	(42,271)	(2,677,956)	(540,396)	–	(930)	–	(3,959,310)
Segment profit (loss) after income tax	$1,836,293	($10,552,827)	$6,249,422	$7,605,837	($3,573,159)	($775,810)	–	$789,755
Net income (loss) attributable to the equity holders of the Parent Company	$1,836,293	($5,886,368)	$6,250,138	$7,590,847	($3,573,159)	($775,810)	$–	$5,441,941

Inter-segment revenues, cost of sales and operating expenses are eliminated on consolidation.

Please refer also to Note 27 (“Segment Information”) of the Notes to Consolidated Financial Statements of the 2013 4udited Consolidated Financial Statements which is incorporated herein as Exhibit 1.

Revenue Contribution by Industry Segment (in US$ Mn)

Revenues by Industry	2014	% of Total	2013	% of Total	2012	% of Total
Automotive	320.5	38%	278.3	37%	207.9	32%
Telecom	176.7	21%	134.7	18%	127.0	19%
Industrial	106.3	12%	108.4	15%	111.5	17%
Consumer	101.9	12%	104.1	14%	107.3	16%
Computing	49.1	6%	37.8	5%	30.5	5%
Medical	23.4	3%	24.8	3%	22.1	3%
Multiple markets/others	66.6	8%	56.9	8%	55.5	8%
TOTAL REVENUE	**844.5**	**100%**	**745.0**	**100%**	**661.8**	**100%**

Revenue Contribution by Customer Nationality (in US$ Mn)

Revenues by Customer Nationality	2014	% of Total	2013	% of Total	2012	% of Total
Europe	418.4	50%	379.5	51%	331.6	50%
North America	208.6	25%	222.7	30%	203.9	31%
Japan	71.6	8%	68.1	9%	59.7	9%
Rest of Asia/Others	145.9	17%	74.8	10%	66.6	10%
TOTAL REVENUE	**844.5**	**100%**	**745.0**	**100%**	**661.8**	**100%**

Foreign Subsidiaries' Contribution

	2014		2013		2012	
	Revenue	**Net Income∗**	**Revenue**	**Net Income∗**	**Revenue**	**Net Income∗**
Foreign Subsidiaries:						
China/SG	39%	63%	37%	18%	42%	108%
Europe/Mexico	32%	73%	32%	121%	28%	136%
TOTAL	**71%**	**136%**	**69%**	**140%**	**70%**	**272%**

∗ *Attributable to equity holders of the Parent Company*

Revenues are attributed to countries on the basis of customer's location. No customer accounts for 10% or more of the Group's revenue and the business is not dependent upon a single customer or few customers.

Sales and Distribution

The Company's global presence allows it to provide solutions to OEMs catering to regional and international markets. Given the Company's presence worldwide, it is able to provide its customers access to a number of services and resources through its manufacturing facilities, engineering and design centers, and sales networks in Asia (China, Singapore, Japan, and the Philippines), North America (U.S. and Mexico), and Europe (Bulgaria, Czech Republic, France, and Germany).

IMI Japan was registered and is domiciled in Japan to serve as IMI's front-end design and product development and sales support center. IMI Japan was established to attract more Japanese OEMs to outsource the product development and manufacturing to IMI.

Detroit Sales Office

In July 2014, the Company established a sales presence in metropolitan Rochester Hills, Detroit to enhance its services to automotive OEMs in North America.

IMI opened the Detroit office as its first focused effort to serving the U.S. automotive and truck markets. It recognizes Detroit as a key component for its continued growth strategy, which includes the establishment of a global manufacturing and engineering footprint that spans across North America, Europe, and Asia.

IMI envisions the Detroit office as a gateway to allow its substantial U.S.-based customers to gain access to its global capabilities, particularly on advanced manufacturing, value engineering, testing, and volume production.

Strategic Partnerships

An active strategic partnership is that with Renewable Energy Test Center, a California-based engineering services, test and certification provider for PV and renewable energy products. This partnership was forged in 2009. With IMI Energy Solutions, the partnership aims to offer PV services including PV panel development, panel prototyping, certification, and mass production. IMI Energy Solutions focuses on solar panel development and prototyping, while RETC handles product testing and certification. RETC is right next door to IMI Energy Solutions to ensure fast turnaround time from prototyping to product certification.

Competition

IMI is an EMS provider to OEM manufacturers in the computing, communications, consumer, automotive, industrial, and medical electronics segments as well as emerging industries like renewable energy. Global economy grew by 3.3% in 2014 remain unchanged from 2013 and is estimated to rise further at 3.5% in 2015. The global electronics equipment production grew 3.3% in 2014 with China up by 5% as well. 2015 is seen to have better positive estimates with a 4.6% growth in global production as Europe leaves recession towards a slow yet progressive rise. Combined EMS and original design manufacturing (ODM) revenues increased by 6.9% in 2014. Global EMS revenues were estimated to be up 6.7% in 2014. Leading EMS companies continue to seek more innovation by focusing on higher margins in non-traditional markets as it faces thinning margins and cost pressures from OEM customers.

IMI competes worldwide, with focus on Asia (including Japan and China), North America, and Europe.

There are two methods of competition: a) price competitiveness and b) robustness of total solution (service, price, quality, special capabilities or technology). IMI competes with EMS companies ODM manufacturers all over the world. Some of its fierce EMS provider competitors include Hon Hai, Flextronics, and Plexus.

HonHai/Foxconn is a Taiwanese company with annual revenues of US$139 billion in 2014. Foxconn's growth has ridden on the coattails of Apple who has been achieving spectacular growth over the last five years. HonHai is a competitor of IMI in the computing and telecommunication infrastructure markets.

Flextronics is a Singapore-headquartered company with annual revenues of US$26.9 billion in 2014; its cost structure is very competitive it is vertically integrated as well. Flextronics poses competition to IMI in the automotive space.

Plexus, U.S.-based, recorded US$2.5 billion revenues in 2014. Plexus is a key EMS player in industrial and medical sectors, which are target markets of IMI.

IMI is focused on delivering customized solutions of highest quality at reasonable prices. It collaborates with the customers in finding the right solutions to their problems. IMI even challenges its own systems and processes if needed. It has a distinct advantage in serving customers who value quality over price and require complex non-standard solutions. Living up to the flexible expertise brand, IMI is adaptable to the needs and conditions of its customers. This expertise has propelled IMI onto the current list of the top 30 EMS providers in the world and earned for IMI several accolades from its customers. IMI also ranked number 8 among the largest EMS providers in the automotive segment based on 2013 revenues.

Principal Suppliers

IMI's suppliers are situated globally and are managed by the Supply Chain Management Division. The Company's top 10 suppliers in 2014, composed of Avnet-Asia, EBV Elektronik, ST Microelectronics, Arrow Electronics, Melexis BG, Future Electronics, KCE, Nichia, Serial Microsystems, and Avnet-Silica, accounted for 25.6% of purchases. Purchases from suppliers generally comprise of raw materials processed by our facilities. The Company strives to manage the quality of the products supplied to ensure strict adherence to quality standards and only purchase from suppliers whose product meet all applicable health and safety standards.

Transactions with Related Parties

In the ordinary course of business, the Group transacts with its related parties. The transactions and balances of accounts with related parties follow:

a. Transactions with Bank of the Philippine Islands, an affiliate

As of December 31, 2014 and 2013, the Group maintains current and savings accounts with BPI amounting to $0.97 million and $0.77 million, respectively.

Total interest income earned from investments with BPI amounted to $5,338, $2,639 and $22,652 for the years ended December 31, 2014, 2013 and 2012, respectively.

b. Outstanding balances of the Group's related party transactions with its affiliates follow:

	Receivables		Payables	
	2014	2013	**2014**	2013
BPI	**$178,059**	$91,792	**$2,957**	$18,267
AC	**1,352**	–	**–**	–
Makati Development Corporation (MDC)	**776**	–	**–**	–
Ayala Land Inc.	**601**	–	**–**	–
Narra Venture Capital II, LP	**–**	83,562	**–**	–
Technopark Land, Inc.	**–**	16,807	**–**	–
Innove Communication Inc. (ICI)	**–**	–	**25,520**	17,742
Globe Telecom, Inc. (GTI)	**–**	–	**5,238**	1,090
Ayala Group Legal (AG Legal)	**–**	–	**–**	4,505
	$180,788	$192,161	**$33,715**	$41,604

i. Receivables from BPI are nontrade in nature and pertain to retirement and separation pay advanced by the Parent Company but reimbursable from the trust fund with BPI. These are noninterest-bearing and are due quarterly.

ii. Receivables from AC, MDC and ALI pertain to the affiliates' share on the Parent Company's expenses incurred during a group-wide conference.

iii. PSi's outstanding receivables from Narra VC are nontrade in nature and represent payments made by PSi to settle the Pre-Completion Liabilities and which will be later reimbursed from the New Investors. Effective December 29, 2014, IMI purchased shares held by the non-controlling interests in PSi. Accordingly, the receivables from Narra VC were written off.

iv. Receivables from TLI are nontrade in nature and pertain to advances by the Parent Company for various expenses incurred by TLI, primarily on real property taxes and corporate secretarial services. These are reimbursable with a 30-day term.

v. Payables to BPI are nontrade in nature and pertain to outstanding housing and automobile financing loans. The outstanding housing and automobile financing loans arise from timing differences of the remittances by the Parent Company to BPI and the period of withholding from employee salaries and wages. The loan reductions are remitted on a monthly basis.

vi. Payables to ICI are nontrade in nature and pertain to leased lines, internet connections and automated teller machines connections. These are noninterest-bearing and are due every month.

vii. Payables to GTI pertain to billings for software and WiFi connections. These are due and demandable.

viii. Payables to AG Legal are nontrade in nature and pertain to legal services provided to the Parent Company and PSi. These are noninterest-bearing and are due within thirty days.

c. Outstanding balances of related party transactions from the Parent Company's point of view follow:

	Receivables		Payables	
	2014	2013	**2014**	2013
STEL	**$18,426,739**	$24,204,080	**$7,369,725**	$8,390,188
IMI EU/MX Subsidiaries	**14,695,248**	14,705,805	**–**	–
PSi	**12,820,656**	11,319,929	**296**	415,317
IMI Singapore	**1,010,247**	1,010,247	**–**	–
IMI Japan	**981,383**	979,526	**594,201**	712,569
IMI ROHQ	**319,924**	253,323	**1,149,654**	1,212,240
IMI USA	**253,738**	250,405	**196,433**	289,146
	$48,507,935	$52,723,315	**$9,310,309**	$11,019,460

i. Receivables from STEL Group, IMI EU/MX Subsidiaries, PSi, IMI Singapore, IMI Japan and IMI USA are nontrade in nature and pertain to operating cash advances made by the Parent Company.

   Advances to STEL Group, IMI Singapore, IMI Japan and IMI USA are noninterest-bearing and are due on demand.

   Advances to PSi, IMI MX and IMI CZ have a 90-day term subject to interest rates ranging from 2.33% to 2.73% in 2014, 2.24% to 3.24% in 2013, and 2.31% to 2.81% in 2012.

   Receivables from IMI ROHQ are nontrade in nature and represent the retirement expense for IMI ROHQ's employees to be funded by the Parent Company upon availment. These receivables are due on demand.

ii. Payables to STEL Group pertain to non-trade related transactions which include freight and handling charges, business travel expenses and consideration, for the net assets transferred by STPH to the Parent Company. These advances are noninterest-bearing and are payable on demand.

iii. Payables to PSi in 2013 represent payments to settle certain liabilities that had arisen prior to the entry of the New Investors, and which have been identified as the Pre-Completion Liabilities. Pursuant to the IA, the Old Investors and the New Investors shall reimburse PSi for these payments to the extent of two-thirds (2/3) and one-third (1/3) of the amounts, respectively, for the first $3.00 million of the Pre-Completion Liabilities, with the Old Investors absorbing any amount in excess, but only to the extent of the value of the shares that will be eventually sold to the New Investors under the put and call options provision. This was settled in 2014.

iv. Payables to IMI ROHQ are nontrade in nature and pertain to services provided by IMI ROHQ to the Parent Company which serves as a supervisory, communications and coordinating center for its affiliates.

v. Payables to IMI Japan and IMI USA are trade in nature and pertain to the services rendered by IMI Japan and IMI USA. These receivables are with a 30-day term.

d. Revenue/income and expenses from the Group's affiliates follow:

	Revenue/Income			Expenses		
	2014	2013	2012	**2014**	2013	2012
MWAP	**$9,868**	$9,971	$8,885	**$–**	$–	$–
TLI	**7,371**	7,713	–	**1,115,426**	26,328	26,531
BPI	**6,021**	2,639	58,198	**–**	–	–
AG Legal	**–**	–	–	**118,774**	82,818	72,351
ICI	**–**	–	–	**55,971**	88,266	144,905
GTI	**–**	–	–	**73,337**	70,438	68,355
	$23,260	$20,323	$67,083	**$1,363,508**	$267,850	$312,142

Revenue/income from its affiliates pertains to the following transactions:

i. Rental income earned by STEL from lease of its office premises.

ii. In 2013, the Parent Company and TLI entered into a service agreement for the Parent Company to provide TLI administrative services such as professional, clerical, financial and accounting services. The administrative services shall be for a period of three years, commencing on January 2, 2013 up to December 31, 2015, renewable upon mutual agreement by both parties. The fixed monthly service fee is ₱30,000, inclusive of all taxes.

iii. Interest income earned from investments and gain on foreign currency forwards with BPI.

Expenses incurred from related party transactions include:

i. Rental expense from the lease contract with TLI.

ii. Consultations on legal matters and assistance on regulatory and legal requirements from AG Legal.

iii. Building rental, leased lines, internet connections and ATM connections with ICI.

iv. Billings for cellphone charges and WiFi connections with GTI.

e. Revenue and expenses eliminated at the Group level follow:

Intercompany revenues mainly pertain to billings of IMI USA and IMI Japan to the Parent Company for recovery costs and billings for management salaries of key management personnel under IMI ROHQ.

Expenses incurred from related party transactions include interest expense of PSi, IMI MX and IMI CZ from loans granted by the Parent Company.

Compensation of Key Management Personnel of the Group
Key management personnel of the Group include all management committee members. Compensation of key management personnel by benefit type follows:

	2014	2013
Short-term employee benefits	**$7,628,230**	$7,294,687
Post-employment benefits	**243,459**	378,920
Share-based payments	**158,608**	5,262
	$8,030,297	$7,678,869

Intellectual Property

The table below summarizes the intellectual properties registered with the Patent and Trademark Offices in the United States and Singapore:

- Auto camera – Minicube filed in December 2013
- In addition to certain patents, know-how and expertise is critical
- IMI is able to leverage its extensive experience in unique applications to other relevant products

Existing / Pending Patents	Descriptions	Location / Filing Date	Expiration Date
Pending **USPTO 13457670**	Used for die attach of power devices that require very minimal voiding between device and substrate to avoid localized heating and potential failure. Describes a new process to perform soldering in a vacuum environment to promote minimal voiding without the use of specialized and expensive equipment, solder preform and gas atmospheres, but with the efficiency of a standard reflow soldering process.	April 2012	In Process
Pending **PCT/US12/51573**	A flip chip video camera mounted on a flexible substrate with glass stiffener	August 2012	In Process
Pending **PCT/EP 2011/000836**	Light source having Array-LEDs for direct operation on AC voltage supply and manufacturing method	February 2011	In Process
United States Patent **6,571,468** **6,846,701**	A method for forming a fine-pitch flip chip assembly interconnects fine pitch devices after they have been connected to a carrier substrate	California, USA, 2001	2021
United States Patent **6,776,859**	An improved anisotropic bonding system and method connects two conductive surfaces together using an anisotropic material having elastic conductive particles dispersed in an insulating heat-curable carrier	California, USA, 2000	2020
United States Patent **6,648,213**	A method for manufacturing a chip assembly that includes the steps of applying a controlled amount of flux to plurality of solder balls on a die, applying a non-fluxing underfill material to a substrate, and assembling the die and substrate together to form the chip assembly such that the non-fluxing underfill material is trapped between the die and the substrate	California, USA and Singapore, 2001	2021
United States Patent **6,414,859**	A passive component circuit comprising a bridge rectifier that is coupled in parallel to three capacitors	Singapore, 2000	2020
United States Patent **7,787,265 B2**	A dual switch forward power converter, and a method of operating the same, employs a self-coupled driver to achieve among other advantages higher efficiency, lower part count and component cost	Singapore, 2007	2027
United States Patent **8,937,432 B2**	Light Source Having LED Arrays for Direct Operation in Alternating Current Network and Production Method Therefor	USA, 2015	2030

Government Regulations and Approvals

IMI complies with all existing government regulations applicable to the company and secures all government approvals for its registered activities. Currently, there are no known probable governmental regulations that may significantly affect the business of the Company.

IMI is subject to various national and local environmental laws and regulations in the areas where it operates, including those governing the use, storage, discharge, and disposal of hazardous substances in the ordinary course of its manufacturing processes. If more stringent compliance or cleanup standards under environmental laws or regulations are imposed, or the results of future testing and analyses at IMI's manufacturing plants indicate that it is responsible for the release of hazardous substances, IMI may be exposed to liability. Further, additional environmental matters may arise in the future at sites where no problem is currently known or at sites that IMI may acquire in the future.

IMI closely coordinates with various government agencies and customers to comply with existing regulations and continuously looks for ways to improve its environmental and safety standards.

Among these regulations are the following:

- DENR Administrative Order No. 35, Series of 1990 (Revised effluent regulations);
- Board Resolution No. 25, Series of 1996 (Implementation of the Environmental User Fee System in the Laguna de Bay Region);
- Resolution No. 33, Series of 1996 (Approving the Rules and Regulations implementing the Environmental User Fee System in the Laguna de Bay Region);
- DENR Administrative Order No. 26, Series of 1992 (Appointment/Designation of Pollution Control Officers);
- Philippine Clean Water Act of 2004 – Republic Act No. 9275; and
- Republic Act (RA 6969) Control of Toxic Substances and Hazardous and Nuclear Wastes
- RA 8749 - Clear Air Act of 1999, Philippine Clean Air Act of 1999;
- DENR Administrative Order No. 2003-27(Amending DAO 26, DAO 29 and DAO 2000-81)
- RA 9003 "Philippine Ecological Solid Waste Management Act of 2000" DENR Administrative Order No. 2001-34
- MC 2009-004 Ammendment of annex 2 of MC 2007-003, regarding the policy on compliance and permitting for facilities relating to air quality

IMI paid nominal fees required for the submission of applications for the above mentioned environmental laws.

Research and Development Activities

The Design and Development (D&D) Team has significantly enhanced competencies in electronic and mechanical design, and software development while also actively engaging in the development of platforms for the next generation projects. For example, the motor drive platform achieves high quality and reliability; the automotive camera platform offers excellent thermal management properties and optical performance; and the power modules utilize proprietary processes to achieve excellent thermal performance.

The Company has designed and built automated assembly machines incorporating a variety of new technologies including:

- Robotics
- 3D-machine vision systems
- Precision pressfit technology
- Laser marking system

One example of a partially automated production line is a rotary assembly machine, combining eight different production steps into a single, compact footprint. Through various steps, including optical and fuctional tests with laser precision, the rotary assembly machine ultimately separates the substandard parts from those that passed quality standards. This requires zero manual handling and adds a high-resolution 3D inspection process. Automation strongly supports the zero-defect program implemented by IMI China by improving quality and repeatability at critical process steps.

Another example is dual-robot handler in the plastic injection molding line in IMI Mexico that performs precision based steps with high accuracy that, without automation, would not have been possible to attain the tight tolerance in the insertion process, the high repeatability in the cycle time, and the high up-time of the injection machine.

The Advanced Manufacturing Engineering (AME) group in IMI USA (Tustin, California) continues to offer a unique variety of engineering services, drawing from its long history of leading the industry in fine precision-assembly technologies. AME collaborates with D&D on a low cost automotive camera using Himax and flip chip technologies, and also works with D&D Europe on the power module platform.

With an extensive understanding of the market, the Company also provides end-to-end services to its customers ranging from simple assembly functions to complex box build services, from design and development, product reliability testing, materials management, logistics solutions and support services. This comprehensive range of capabilities grants greater flexibility and provides focused options for the customers. Its range of capabilities has also enabled the Company to develop a wide skill set and less reliance on a particular service capability. With its end-to-end services, the Company believes that it has become a “one stop shop”, able to cater to the various requirements of its customers. By offering a wide array of services, the Company provides its customers with further convenience as they would no longer have to select multiple providers for products, thus enhancing the value that the Company can offer to customers.

IMI spent the following for the last three years:

		% to Revenues
2014	$144,035	0.02
2013	$212,515	0.02
2012	$809,381	0.1

Human Resources

The Company has a total workforce of 15,424 employees as of December 31, 2014, shown in the following table:

Job Groups	Total	Philippines	China/ Singapore	USA	Japan	Europe
Managers	**394**	158	160	6	5	65
Supervisors	**1,553**	558	712	-	-	283
Rank-and-File	**1,967**	892	623	-	-	452
Technicians	**1,410**	378	1,012	-	-	20
Operators	**10,100**	4,821	3,365	-	-	1,914
TOTAL	**15,424**	**6,807**	**5,872**	**6**	**5**	**2,734**

The relationship between management and employees has always been of solidarity and collaboration from the beginning of its operations up to the present. The Company believes that open communication and direct engagement between management and employees are the most effective ways to resolve workplace issues.

IMI has existing supplemental benefits for its employees such as transportation and meal subsidy, group hospitalization insurance coverage and non-contributory retirement plan.

The Company has or will have no supplemental benefits or incentive arrangements with its employees other than those mentioned above.

Risk Factors

The Company’s business, financial condition and results of operation could be materially and adversely affected by risks relating to the Company and the Philippines.

IMI’s operating results may significantly fluctuate from period to period

There is a risk that the Company’s operating results may fluctuate significantly due to various factors including but not limited to changes in demand for its products and services, customers’ sales outlook, purchasing patterns, and inventory adjustments, changes in the types of services provided to customers, variations in the, volume of products, adjustments in the processes and manner of delivery of services, as well as alterations to product specifications on account of complexity of product maturity, the extent to which the Company can provide vertically integrated services for a product. The Company’s operating result is also affected by the Company’s effectiveness in managing its manufacturing processes, controlling costs, and integrating any potential future acquisitions, the Company’s ability to make optimal use of its available manufacturing capacity, changes in the cost and availability of labor, raw materials, and components, which affect its margins and its ability to meet delivery schedules, and the ability to manage the timing of its component purchases so that components are available when needed for production while avoiding the risks of accumulating inventory in excess of immediate production needs. Fluctuations in operating results may also be experienced by the Company on account of the advent of new technology and customer qualification of technology employed in the production, and the occurrence of any changes in local conditions or occurrence of events that may affect production volumes and costs of production, such as, but not limited to labor conditions, political instability, changes in law and regulation, economic disruptions or changes in economic policies affecting flow of capital, entry of competition, substantial rate hikes of utilities required for production, or force majeure.

The factors identified above and other risks discussed in this section affect the Company's operating results from time to time.

Some of these factors are beyond the Company's control. The Company may not be able to effectively sustain its growth due to restraining factors concerning corporate competencies, competition, global economies, and market and customer requirements. To meet the needs of its customers, the Company has expanded its operations in recent years and, in conjunction with the execution of its strategic plans, the Company expects to continue expanding in terms of geographical reach, customers served, products, and services. To manage its growth, the Company must continue to enhance its managerial, technical, operational, and other resources.

The Company's ongoing operations and future growth may also require funding either through internal or external sources. There can also be no assurance that any future expansion plans will not adversely affect the Company's existing operations since execution of said plans may involve challenges. For instance, the Company may be required to be confronted with such issues as shortages of production equipment and raw materials or components, capacity constraints, difficulties in ramping up production at new facilities or upgrading or expanding existing facilities, and training an increasing number of personnel to manage and operate those facilities. Compounding these issues are other restraining factors such as more aggressive efforts of competition in expanding business, volatility in global economies and market and customer requirements. All these challenges could make it difficult for the Company to implement any expansion plans successfully and in a timely manner.

In response to a very dynamic operating environment and intense industry competition, the Company focuses on high-growth/high-margin specialized product niches, diversifies its markets and products, engages in higher value add services, improves its cost structure, and pursues strategies to grow existing accounts.

IMI is highly dependent on an industry that is characterized by rapid technological changes

The demand for the Company's solutions is derived from the demand of end customers particularly for end-use applications in the computing, communications, consumer automotive, industrial and medical electronics industries. These industries have historically been characterized by rapid technological change, evolving industry standards, and changing customer needs. There can be no assurance that the Company will be successful in responding to these industry demands. New services or technologies may also render the Company's existing services or technologies less competitive. If the Company does not promptly make measures to respond to technological developments and industry standard changes, the eventual integration of new technology or industry standards or the eventual upgrading of its facilities and production capabilities may require substantial time, effort, and capital investment.

The Company is focusing on longer life cycle industries such as automotive, industrial and telecommunication infrastructure to reduce the volatility of model and design changes. The Company also keeps itself abreast of trends and technology development the electronics industry and is continuously conducting studies to enhance its technologies, capabilities and value proposition to its customers. It defines and executes technology road maps that are aligned with market and customer requirements.

The industry where IMI operates in does not serve, generally, firm or long-term volume purchase commitments

Save for specific engagements peculiar to certain products and services required, the Company's customers do not generally contract for firm and long-term volume purchase. Customers may place lower-than expected orders, cancel existing or future orders or change production quantities. There are no guaranteed or fixed volume orders that are committed on a monthly or periodic basis.

In addition, the Company makes significant investment decisions, including determining the levels of business that it will seek and accept capacity expansion, personnel needs, and other resource requirements. These key decisions are ultimately based on estimates of customer long-term requirements. The rapid changes in demand for its products reduce its ability to estimate accurately long-term future customer requirements. Thus, there is the risk that resource investments are not optimized at a certain period.

In order to manage the effects of these uncertainties, customers are required to place firm orders within the manufacturing lead time to ensure delivery. The Company does not solely rely on the forecast provided by the clients. By focusing on the longer cycle industry segments, the volatility that comes with rapid model changes is reduced and the Company is able to have a more accurate production planning and inventory management process.

Buy-back agreements are also negotiated by the Company in the event there are excess inventory when customer products reach their end-of-life .To the extent possible, the Company's contract include volume break pricing, and materials buy-back conditions to taper the impact of sudden cancellations, reductions, and delays in customer requirements.

IMI may encounter difficulties in connection with its global expansion

The Company's globalization strategy has transformed it from a Philippines-centric company into a global network with manufacturing and engineering facilities as well as sales offices in Asia, Europe, and North America. This global expansion may expose the Company to potential difficulties that include diversion of management's attention from the normal operations of the Company's business, potential loss of key employees and customers of the acquired companies, physical, legal, cultural, and social impediments in managing and integrating operations in geographically dispersed locations, lack of experience operating in the geographic market of the acquired business, reduction in cash balance and increases in expenses and working capital requirements, which may reduce return on invested capital, potential increases in debt, which may increase operating costs as a result of higher interest payments, and complexities in integrating acquired businesses into existing operations, which may prevent it from achieving, or may reduce the anticipated synergy.

The Company's acquisitions of new companies or creation of new units, whether onshore or offshore, may also have an immediate financial impact to the Company due to the dilution of the percentage of ownership of current stockholders if the acquisition requires any payment in the form of equity of the Company, the periodic impairment of goodwill and other intangible assets, and liabilities, litigations, and/or unanticipated contingent liabilities assumed from the acquired companies.

If the Company is not able to successfully manage these potential difficulties, any such acquisitions may not result in material revenue enhancement or other anticipated benefits or even adversely affect its financial and/or operating condition.

To limit its exposure, the Company performs a thorough assessment of the upside and downside of any merger or acquisition. Supported by a team which focuses on business development, finance, legal, and engineering units, the vision, long-term strategy, compatibility with the culture, customer relationship, technology, and financial stability of the company to be acquired is carefully examined thorough due diligence to ensure exposures are mitigated through proper warranties. In addition, the Company looks at acquisitions that are immediately accretive to the P&L of the Company. The decision is then reviewed and endorsed by the Finance Committee, and approved by the Board. The Company carefully plans any merger or acquisition for a substantial period prior to closing date. Prior to closing of transactions, the Company forms an integration team and formulates detailed execution plans to integrate the key functions of the acquired entity into the Company.

IMI may not be able to mitigate the effects of declining prices of goods over the life cycles of its products or as a result of changes in its mix of new and mature products, mix of turnkey and consignment business arrangements, and lower prices offered by competition

The price of the Company's products tends to decline over the later years of the product life cycle, reflecting decreased costs of input components, improved efficiency, decreased demand, and increased competition as more manufacturers are able to produce similar or alternative products. The gross margin for manufacturing services is highest when a product is first developed but as products mature, average selling prices of a product drop due to various market forces resulting in gross margin erosion. The Company may be constrained to reduce the price of its service for more mature products in order to remain competitive against other manufacturing services providers. This is most apparent in the automotive segment, where the reduction has historically been observed to occur between the first two to three years. The Company's gross margin may further decline to be competitive with the lower prices offered by competition or to absorb excess capacity, liquidate excess inventories, or restructure or attempt to gain market share.

The Company is moving towards a higher proportion of contracting under a turnkey production (with the Company providing labor, materials and overhead support), as compared to those under a consignment model, indicating a possible deterioration in its margins. The Company will also need to deploy larger amounts of working capital for turnkey engagements.

To mitigate the effects of price declines in the Company's existing products and to sustain margins, the Company continues to improve its production efficiency by increasing yields, increasing throughputs through LEAN and six sigma manufacturing process. In addition, the Company continuous to leverage on its purchase base and supplier programs to avail of discounts and reduced costs in component prices. It also utilizes its global procurement network and supply chain capabilities to reduce logistics costs for components including inventory levels. The Company also intensifies its effort to contract with customers with highermargin products most of which involve higher engineering value add and more complex box build or system integration requirements.

IMI operates in a highly competitive industry

Some of the Company's competitors in the industry may have greater design, engineering, manufacturing, financial capabilities, or superior resources than the Company. Customers evaluate EMS and ODMs based on, among other things, global manufacturing capabilities, speed, quality, engineering services, flexibility, and costs. In outsourcing, OEMs seek to reduce cost. In addition, major OEMs typically outsource the same type of products to at least two or three outsourcing partners in order to diversify their supply risks. The competitive nature of the industry may result in substantial price competition. The Company faces increasing challenges from competitors who are able to put in place a competitive cost structure by consolidating with or acquiring other competitors, relocating to lower cost areas, strengthening supply chain partnerships, or enhancing solutions through vertical integration, among others. The Company's customers may opt to transact with the Company's competitors instead of the Company or if the Company fails to develop and provide the technology and skills required by its customers at a rate comparable to its competitors. There can be no assurance that the Company will be able to competitively develop the higher value add solutions necessary to retain business or attract new customers. There can also be no assurance that it will be able to establish a compelling advantage over its competitors.

The industry could become even more competitive if OEMs fail to significantly increase their overall levels of outsourcing. Increased competition could result in significant price competition, reduced revenues, lower profit margins, or loss of market share, any of which would have a material adverse effect on the Company's business, financial condition, and results of operations.

The Company regularly assesses the appropriate pricing model (so as to ensure that it is strategic/value based or demand based, among others) to be applied on its quotation to existing or prospective customers. The Company is also strengthening its risk management capabilities to be able to turn some of the risks (e.g., credit risks) into opportunities to gain or maintain new or existing customers, respectively. The Company also continues to develop high value-add services that fit the dynamic markets it serves. It continues to enhance capabilities in design and development, advanced manufacturing engineering, test and systems development, value engineering, and supply chain management to ensure an efficient product realization experience for its customers.

In addition, the Company's size, stability and geographical reach allow it to attract global OEMs customers that look for stable partners that can service them in multiple locations. This is evidenced by increasing number of global contracts that the Company is able to develop and have multiple sites serving single customers.

Focusing on high value automotive (such as those for ADAS and Safety-related, power modules and electronic control units, among others), industrial and medical segments where strict performance and stringent certification processes are required, the Company is able to establish a high barrier of entry, business sustainability and better pricing. Generally, the Company has observed that it is usually difficult for customers in these industries to shift production as they would have to go through a long lead time in the certification process. The direction the Company has taken resulted in the rise of the Company's ranking in the global and automotive EMS spaces.

IMI may be subject to reputation and financial risks due to product quality and liability issues

The contracts the Company enters into with its customers, especially customers from the automotive and medical industry, typically include warranties that its products will be free from defects and will perform in accordance with agreed specifications. To the extent that products delivered by the Company to its customers do not, or are not deemed to, satisfy such warranties, the Company could be responsible for repairing or replacing any defective products, or, in certain circumstances, for the cost of effecting a recall of all products which might contain a similar defect in an occurrence of an epidemic failure, as well as for consequential damages. Defects in the products manufactured by the company adversely affect its customer relations, standing and reputation in the marketplace, result in monetary losses, and have a material adverse effect on its business, financial condition, and results of operations. There can be no assurance that the Company will be able to recover any losses incurred as a result of product liability in the future from any third party.

In order to prevent or avoid a potential breach of warranties which may expose the Company to liability, the Company performs a detailed review and documentation of the manufacturing process that is verified, audited and signed-off by the customers. In addition, customers are encouraged, and in some cases, required to perform official audits of the Company's manufacturing and quality assurance processes, to ensure compliance with specifications. The Company works closely with customers to define customer specifications and quality requirements, and follow closely these requirements to mitigate future product liability claims. The Company also insures itself on product liability and recall on a global basis.

IMI's production capacity may not correspond precisely to its production demand

The Company's customers may require it to have a certain percentage of excess capacity that would allow the Company to meet unexpected increases in purchase orders. On occasion, however, customers may require rapid increases in production beyond the Company's production capacity, and the Company may not have sufficient capacity at any given time to meet sharp increases in these requirements. On the other hand, there is also a risk of the underutilization of the production line, which may slightly lower the Company's profit margins. In response, the Company makes the necessary adjustments in order to have a match between demand and supply. In the case of a lack in supply, the Company equips itself with flexible systems that allow it to temporarily expand its production lines in order to lower the overhead costs, and then make corresponding increases in its capacity when there is a need for it as well.

To soften the impact of this, the Company closely coordinates with customers to provide the parties with regular capacity reports and action plan/s for common reference and future capacity utilizations. The Company also closely collaborates with its customers to understand the required technology roadmaps, anticipate changes in technological requirements, and discuss possible future solutions.

IMI may be involved in intellectual property disputes

The Company's business depends in part on its ability to provide customers with technologically sophisticated products. The Company's failure to protect its intellectual property or the intellectual property of its customers exposes it to legal liability, loss of business to competition and could hurt customer relationships and affect its ability to obtain future business. It could incur costs in either defending or settling any intellectual property disputes. Customers typically require that the Company indemnify them against claims of intellectual property infringement. If any claims are brought against the Company's customers for such infringement, whether these have merit or not, it could be required to expend significant resources in defending such claims. In the event the Company is subjected to any infringement claims, it may be required to spend a significant amount of money to develop non-infringing alternatives or obtain licenses. The Company may not be successful in developing such alternatives or in obtaining such licenses on reasonable terms or at all, which could disrupt manufacturing processes, damage its reputation, and affect its profitability.

Since the Company is not positioned as an ODM, the likelihood of the Company infringing upon product related intellectual property of third parties is significantly reduced. Product designs are prescribed by and ultimately owned by the customer.

The Company observes strict adherence to approved processes and specifications and adopts appropriate controls to ensure that the Company's intellectual property and that of its customers are protected and respected. It continuously monitors compliance with confidentiality undertakings of the Company and management. As of the date of this Prospectus, there has been no claim or disputes involving the Company or between the Company and its customers involving any intellectual property.

Demand for services in the EMS industry depends on the performance and business of the industry's customers as well as the demand from end consumers of electronic products

The performance and profitability of the Company's customers' industries are partly driven by the demand for electronic products and equipment by end-consumers. If the end-user demand is low for the industry's customers' products, companies in the Company's industry may see significant changes in orders from customers and may experience greater pricing pressures. Therefore, risks that could harm the customers of its industry could, as a result, adversely affect the Company as well. These risks include the customer's inability to manage their operations efficiently and effectively, the reduced consumer spending in key customers' markets, the seasonality demand for their products, and failure of the customer's products to gain widespread commercial acceptance.

The impact of these risks was very evident in the aftermath of the global financial crisis which resulted in global reduction of demand for electronics products by end-customers. The Company mitigates the impact of industry downturns on demand by rationalizing excess labor and capacity to geographical areas that are most optimal, and by initiating cost containment programs. With indications of global financial recovery already in place, the Company has been able to re-hire some of its employees. There are also electronics requirements resulting from global regulations, such as those for improving vehicle safety and promoting energy-efficient technologies that would increase the demand for electronic products and equipment.

The Company continuously addresses its concentration risks. There is no single customer that the Company is dependent on or accounts for more than 15% of the Company's revenues. The Company also serves global customers which are not concentrated on a specific geographic market.

IMI's industry is dependent on the continuous growth of outsourcing by OEMs

The Company belongs to an industry that is dependent on the strong and continuous growth of outsourcing in the computing, communications, consumer automotive, industrial, and medical electronics industries where customers choose to outsource production of certain components and parts, as well as functions in the production process. A customer's decision to outsource is affected by its ability and capacity for internal manufacturing and the competitive advantages of outsourcing.

The Company's industry depends on the continuing trend of increased outsourcing by its customers. Future growth in its revenue depends on new outsourcing opportunities in which it assumes additional manufacturing and supply chain management responsibilities from its customers. To the extent that these opportunities do not materialize, either because the customers decide to perform these functions internally or because they use other providers of these services, the Company's future growth could be limited.

The Company believes that its global footprint with manufacturing operations in Asia, Europe, and North America, its global supply chain systems and capabilities, and its design services will continue to provide strategic advantages for customers to outsource parts of their product development and manufacturing processes to the Company.

IMI's industry may experience shortages in, or rises in the prices of components, which may adversely affect business

There is a risk that the Company will be unable to acquire necessary components for its business as a result of strong demand in the industry for those components or if suppliers experience any problems with production or delivery.

The Company is often required by its customers to source certain key components from customer-nominated and accredited suppliers only, and it may not be able to obtain alternative sources of supply should such suppliers be unable to meet the supply of key components in the future. Shortages of components could limit its production capabilities or cause delays in production, which could prevent it from making scheduled shipments to customers.

If the Company is unable to make scheduled shipments, it may experience a reduction in its sales, an increase in costs, and adverse effects on its business. Component shortages may also increase costs of goods sold because it may be required to pay higher prices for components in short supply and redesign or reconfigure products to accommodate substitute components.

To the extent possible, the Company works closely with customers to ensure that there are back up suppliers or manufacturers for customer-supplied components or components supplied by customer-nominated suppliers to mitigate uncertainties in the supply chain. In addition, the Company has established supplier certification and development programs designed to assess and improve suppliers' capability in ensuring uninterrupted supply of components to the Company.

IMI may be exposed to risk of inventory obsolescence and working capital tied up in inventories

As an EMS provider, the Company may be exposed to a risk of inventory obsolescence because of rapidly changing technology and customer requirements. Inventory obsolescence may require it to make adjustments to write down inventory to the lower of cost or net realizable value, and its operating results could be adversely affected. The Company is cognizant of these risks and accordingly exercises due diligence in materials planning. The Company also provisions in its inventory systems and planning a reasonable amount for obsolescence. It is working with key suppliers to establish supplier-managed inventory arrangements that will mutually reduce the risk. In addition, the Company often negotiates buy back arrangements with customers where, in the event the customers' purchase orders are delayed, canceled, or enter in the end-of life phase, the customers assumes the risk and compensates the Company for the excess inventory.

IMI is highly dependent on the continued service of its directors, members of senior management and other key officers

The Company's directors, members of its senior management, and other key officers have been an integral part of its success, and the experience, knowledge, business relationships and expertise that would be lost should any such persons depart could be difficult to replace and may result in a decrease in the Company's operating efficiency and financial performance. Key executives and members of management of the Company include CEO, COO, CFO, Chief Procurement Officer, Global Business Development and Key Account Leader, Global Sales Leader, Global HR, Global Design and Development, Global Quality and Regional/Site Quality Leaders, and Plant GMs. In the event that the Company loses the services of any such person and is unable to fill any vacant key executive or management positions with qualified candidates, or if the qualified individual takes time to learn the details of the Company, the Company's business and results of operations may be adversely affected.

Any deterioration in IMI's employee relations could materially and adversely affect IMI's operations

The Company's success depends partially on the ability of the Company, its contractors, and its third party marketing agents to maintain productive workforces. Any strikes, work stoppages, work slowdowns, grievances, complaints or claims of unfair practices or other deterioration in the Company's, its contractors' or its third party marketing agents' employee relations could have a material and adverse effect on the Company's financial condition and results of operations. There have been no historical events related to strikes or protests from its employees or unions, given the well-established employee relations of the Company.

IMI's success depends on attracting, engaging, and retaining key talents, including skilled research and development engineers

In order to sustain its ability to complete contracted services and deliver on commitments and promote growth, the Company will have to continuously attract, develop, engage and retain skilled workforce highly capable to achieve business goals. The Company recognizes that its competitiveness is dependent on its key talent pipeline, including leadership, talent and skill pool, and succession plan.

The Company continuously identifies top-caliber candidates and keeps the pipeline full to be ready to assume new roles and fuel growth. The Company has a strong ability to hire in terms of the quality of recruits as well as in scale. Specifically, there is strong recruitment in Philippines and in China, having been able to tie up with universities. In the case of an immediate need for to provide manpower, there are contractual agreements at hand to meet the demand. They have the ability to rapidly organize and train skilled workers for new products and services and retain qualified personnel.

The Company also leverages on its global reach to identify, recruit and develop the right employees who can be deployed to the various operating units or divisions of the Company. It also implements on a regular basis pertinent employee training and development programs, including a cadetship program that enables it to tap and employ capable graduates from different leading universities. The Company has implemented proactive measures to retain employees through sound retention programs, encouraging work-life balance among its employees, and providing structured career development paths to promote career growth within the organization and loyalty to the Company.

Any shortage of raw materials or components could impair the Company's ability to ship orders of its products in a cost-efficient manner or could cause the Company to miss its delivery requirements of its retailers or distributors, which could harm the Company's business

The ability of the Company's manufacturers to supply its products is dependent, in part, upon the availability of raw materials and certain components. The Company's manufacturers may experience shortages in the availability of raw materials or components, which could result in delayed delivery of products to the Company or in increased costs to it. Any shortage of raw materials or components or inability to control costs associated with manufacturing could increase the costs for the Company's products or impair its ability to ship orders in a timely cost-efficient manner. As a result, it could experience cancellation of orders, refusal to accept deliveries, or a reduction in the Company's prices and margins, any of which could harm the Company's financial performance and results of operations. Other than for customer-nominated suppliers or specialty components for the manufacture of specific products, the Company is not dependent on a single supplier for its raw materials.

In addition, since company sources materials from various countries, different natural disasters may affect supply. Typhoons, earthquakes, and other natural disaster may cause a delay the delivery of the raw materials to the company, manufacturing of ordered products may not be met, resulting to a loss in potential sales.

IMI may, from time to time, be involved in legal and other proceedings arising out of its operations.

The Company may, from time to time, be involved in disputes with its employees and various parties involved in its manufacturing operations, including contractual disputes with customers or suppliers, labor disputes with workers or be exposed to damage or personal liability claims. Regardless of the outcome, these disputes may lead to legal or other proceedings and may result in substantial costs, delays in the Company's development schedule, and the diversion of resources and management's attention. The Company may also have disagreements with regulatory bodies in the course of its operations, which may subject it to administrative proceedings and unfavorable decisions that result in penalties and/or delay the development of its projects. In such cases, the Company's business, financial condition, results of operations and cash flows could be materially and adversely affected.

RISKS RELATING TO COUNTRIES WHERE THE COMPANY OPERATES (INCLUDING THE PHILIPPINES)

IMI conducts business in various jurisdictions, exposing it to business, political, operational, financial, and economic risks due to its operations in these jurisdictions.

There is no assurance that there will be no occurrence of an economic slowdown in the countries where the Company operates, including the Philippines. Factors that may adversely affect an economy include but are not limited to:

- decreases in business, industrial, manufacturing or financial activity in the Philippines or in the global market,
- scarcity of credit or other financing, resulting in lower demand for products and services
- the sovereign credit ratings of the country,
- exchange rate fluctuations,
- a prolonged period of inflation or increase in interest rates,
- changes in the relevant government's taxation policies,
- natural disasters, including typhoons, earthquakes, fires, floods and similar events,
- political instability, terrorism or military conflict, and
- other regulatory, political or economic developments in or affecting the Company

Notwithstanding the foregoing, the global operations, marketing, and distribution of the Company's products inherently integrate the impact of any economic downturn affecting a single country where the Company operates, and enables the Company to shift the focus of its operations to other jurisdictions.

The Company's manufacturing and sales operations are located in a number of countries throughout Asia, Europe, and North America. As a result, it is affected by business, political, operational, financial, and economic risks inherent in international business, many of which are beyond the Company's control, including difficulties in obtaining domestic and foreign export, import, and other governmental approvals, permits, and licenses, and compliance with foreign laws, which could halt, interrupt, or delay the Company's operations if it is unable to obtain such approvals, permits, and licenses, and could have a material adverse effect on the Company's results of operations.

Changes in law including unexpected changes in regulatory requirements affect the Company's business plans, such as those relating to labor, environmental compliance and product safety. Delays or difficulties, burdens, and costs of compliance with a variety of foreign laws, including often conflicting and highly prescriptive regulations also directly affect the Company's business plans and operations, cross-border arrangements and the inter-company systems.

Increases in duties and taxation and a potential reversal of current tax or other currently favorable policies encouraging foreign investment or foreign trade by host countries leading to the imposition of government controls, changes in tariffs, or trade restrictions on component or assembled products may result in adverse tax consequences, including tax consequences which may arise in connection with inter-company pricing for transactions between separate legal entities within a group operating in different tax jurisdictions, also result in increases in cost of duties and taxation.

Actions which may be taken by foreign governments pursuant to any trade restrictions, such as "most favored nation" status and trade preferences, as well as potential foreign exchange and repatriation controls on foreign earnings, exchange rate fluctuations, and currency conversion restrictions may adversely affect the Company's business and financial condition.

Under existing foreign exchange controls in the Philippines, as a general rule, Philippine residents may freely dispose of their foreign exchange receipts and foreign exchange may be freely sold and purchased outside the Philippine banking system. Restrictions exist on the sale and purchase of foreign exchange in the Philippine banking system. In the past, the Government has instituted restrictions on the ability of foreign companies to use foreign exchange revenues or to convert Philippine pesos into foreign currencies to satisfy foreign currency- denominated obligations, and no assurance can be given that the Government will not institute such or other restrictive exchange policies in the future.

A substantial portion of the Company's manufacturing operations is located in China, which has regulated financial and foreign exchange regime. The Company continuously evaluates the options available to the organization to ensure maximum usage of excess liquidity. Among others, excess liquidity may be repatriated out of China through dividend payments, payment of management service or royalty fees, use of leading and lagging payment, and transfer pricing.

Environmental laws applicable to IMI's projects could have a material adverse effect on its business, financial condition or results of operations

The Company cannot predict what environmental legislation or regulations will be amended or enacted in the future, how existing or future laws or regulations will be enforced, administered or interpreted, or the amount of future expenditures that may be required to comply with these environmental laws or regulations or to respond to environmental claims. The introduction or inconsistent application of, or changes in, laws and regulations applicable to the Company's business could have a material adverse effect on its business, financial condition and results of operations.

There can be no assurance that current or future environmental laws and regulations applicable to the Company will not increase the costs of conducting its business above currently projected levels or require future capital expenditures. In addition, if a violation of any environmental law or regulation occurs or if environmental hazards on land where the Company's projects are located cause damage or injury to buyers or any third party, the Company may be required to pay a fine, to incur costs in order to cure the violation and to compensate its buyers and any affected third parties.

Any political instability in the Philippines and the countries where IMI operates may adversely affect the business operations, plans, and prospects of IMI

The Philippines has from time to time experienced severe political and social instability. The Philippine Constitution provides that, in times of national emergency, when the public interest so requires, the Government may take over and direct the operation of any privately owned public utility or business. In the last few years, there were instances of political instability, including public and military protests arising from alleged misconduct by the previous administration.

On 12 December 2011, the House of Representatives initiated impeachment proceedings against Renato Corona, Chief Justice of the Supreme Court of the Philippines. The impeachment complaint accused Corona of improperly issuing decisions that favored former President Arroyo, as well as failure to disclose certain properties, in violation of rules applicable to all public employees and officials. The trial of Chief Justice Corona began in January 2012 and ended in May 2012, with Corona found guilty with respect to his failure to disclose to the public his statement of assets, liabilities, and net worth, and was impeached. In July 2013, a major Philippine newspaper exposed a scam relating to the diversion and misuse of the Priority Assistance Development Fund by some members of Congress through pseudo-development organizations headed by Janet Lim Napoles. As a result of this exposé, a number of investigations, including one in the Senate, have been launched to determine the extent of the diversion of the Priority Assistance Development Fund and the Government officials and the private individuals responsible for the misappropriation of public funds. On 16 September 2013, cases of plunder and malversation of public funds were filed with the Office of the Ombudsman against Janet Lim Napoles, three Senators, a few members of the House of Representatives and other Government personnel.

Macro-economic conditions of different countries where IMI operates may adversely affect the Company's business and prospectus

Historically, the Philippines' sovereign debt has been rated relatively low by international credit rating agencies. Although the Philippines' long-term foreign currency-denominated debt was recently upgraded by each of Standard & Poor's, Fitch Ratings and Moody's to investment-grade, no assurance can be given that Standard & Poor's, Fitch Ratings or Moody's or any other international credit rating agency will not downgrade the credit ratings of the Government in the future and, therefore, Philippine companies. Any such downgrade could have an adverse impact on the liquidity in the Philippine financial markets, the ability of the Government and Philippine companies, including the Parent Company, to raise additional financing and the interest rates and other commercial terms at which such additional financing is available.

In addition, some countries in which the Company operates, such as the Czech Republic and Mexico, have experienced periods of slow or negative growth, high inflation, significant currency devaluations, or limited liability of foreign exchange. Furthermore, in countries such as China and Mexico, governmental authorities exercise significant influence over many aspects of the economy which may significantly affect the Company.

On an as-need basis, the Company seeks the help of consultants and subject matter experts for changes in laws and regulations that may have a significant impact in the Company's business operations. It also maintains good relationship with local government, customs, and tax authorities through business transparency and compliance and/or payment of all government-related assessments in a timely manner. The Company has been able to overcome major crises brought about by economic and political factors affecting the countries where it operates. The strong corporate governance structure of the Company and its prudent management team are the foundations for its continued success. The Company also constantly monitors its macroeconomic risk exposure, identifies unwanted risk concentration, and modifies its business policies and activities to navigate such risks. Severe macroeconomic contractions may conceivably lead the Company to tweak or modify its investment decisions to meet the downturn. As a holding company, the Company affirms the principles of fiscal prudence and efficiency in the operations to its subsidiaries operating in various countries.

IMI face risks of international expansion and operation in multiple jurisdictions

The Company expects to have an international customer base which may require worldwide service and support. The Company may expand its operations internationally and enter additional markets, which will require significant management attention. Any such expansion may cause a strain in existing management resources.

The distances between the Company, the customers, and the suppliers globally, create a number of logistical and communications challenges, including managing operations across multiple time zones, directing the manufacture and delivery of products across significant distances, coordinating the procurement of raw materials and their delivery to multiple locations, and coordinating the activities and decisions of the Company's management team, the members of which are spread out internationally.

While the Company tries to keep its local expertise, it established global functions to ensure that there is adequate coordination of activities. In addition, the availability and use of cell phones, e-mails, and internet based communication tools by the Company resulted in more efficient and timely coordination of activities and decision making by management from different sites and countries.

The Company aggressively pursues hiring of experienced international managers and staff globally. This enables the Company to ensure that it has sufficient manpower complement possessed with the required skills and experience to work with customers, vendors, and other partners in and out of the relevant country where it operates.

Natural or other catastrophes, including severe weather conditions and epidemics, that may materially disrupt the Company's operations, affect its ability to complete projects and result in losses not covered by its insurance

The Philippines has experienced a number of major natural catastrophes over the years, including typhoons, droughts, volcanic eruptions and earthquakes. In October 2013, a 7.2 magnitude earthquake affected Cebu and the island of Bohol, and on November, 2013, Super Typhoon Haiyan (called Yolanda in the Philippines) caused destruction and casualties of an as yet undetermined amount, in Tacloban, certain parts of Samar, and certain parts of Cebu City, all of which are located in the Visayas, the southern part of the Philippines. There can be no assurance that the occurrence of such natural catastrophes will not materially disrupt the Company's operations. These factors, which are not within the Company's control, could potentially have significant effects on the Company's manufacturing facilities. As a result, the occurrence of natural or other catastrophes or severe weather conditions may adversely affect the Company's business, financial condition and results of operations.

Natural disasters, such as the 2008 earthquake in China, where most of the Company's manufacturing operations are located, could severely disrupt the Company's manufacturing operations and increase the Company's supply chain costs. These events, over which we have little or no control, could cause a decrease in demand for the Company's services, make it difficult or impossible for the Company to manufacture and deliver products and for the Company's suppliers to deliver components allowing it to manufacture those products, require large expenditures to repair or replace the Company's facilities, or create delays and inefficiencies in the Company's supply chain.

Any escalation in these events or similar future events may disrupt the Company's operations and the operations of the Company's customers and suppliers, and may affect the availability of materials needed for the Company's manufacturing services. Such events may also disrupt the transportation of materials to the Company's manufacturing facilities and finished products to the Company's customers.

There can be no assurance that the Company is fully capable to deal with these situations and that the insurance coverage it maintains will fully compensate it for all the damages and economic losses resulting from these catastrophes.

Political instability or threats that may disrupt the Company's operations could result in losses not covered by the Company's insurance

No assurance can be given that the political environment in the Philippines will remain stable and any political instability in the future could reduce consumer demand, or result in inconsistent or sudden changes in regulations and policies that affect the Company's business operations, which could have an adverse effect on the results of operations and the financial condition of the Company.

Increased political instability threats or occurrence of terrorist attacks, enhanced national security measures, and conflicts in the Middle East and Asia, as well as territorial and other disputes between China and the Philippines (and a number of Southeast Asian countries), which strain international relations, may reduce consumer confidence and economic weakness and adversely affect the Company's business plans and prospects.

The Philippines, China, and several Southeast Asian nations have been engaged in a series of long standing territorial disputes over certain islands in the West Philippine Sea, also known as the South China Sea. Despite efforts to reach a compromise, a dispute arose between the Philippines and China over a group of small islands and reefs known as the Scarborough Shoal. In April and May 2012, the Philippines and China accused one another of deploying vessels to the shoal in an attempt to take control of the area, and both sides unilaterally imposed fishing bans at the shoal during the late spring and summer of 2012. These actions threatened to disrupt trade and other ties between the two countries, including a temporary ban by China on Philippine banana imports, as well as a temporary suspension of tours to the Philippines by Chinese travel agencies. Since July 2012, Chinese vessels have reportedly turned away Philippine fishing boats attempting to enter the shoal, and the Philippines has continued to protest China's presence there. In January 2013, the Philippines sent notice to the Chinese embassy in Manila that it intended to seek international arbitration to resolve the dispute under the United Nations Convention on the Law of the Sea. China has rejected and returned the notice sent by the Philippines requesting arbitral proceedings. Chinese vessels have also recently confronted Philippine vessels in the area, and the Chinese government has warned the Philippines against what it calls provocative actions. Recent talks between the Government of the Philippines and the United States of America about increased American military presence in the country, particularly through possible American forays into and use of Philippine military installations, may further increase tensions.

In early March 2013, several hundred armed Filipino-Muslim followers of Sultan Jamalul Kiram III, the self-proclaimed Sultan of Sulu from the south of the Philippines, illegally entered Lahad Datu, Sabah, Malaysia in a bid to enforce the Sultan of Sulu's historical claim on the territory. As a result of the illegal entry, these followers engaged in a three-week standoff with the Malaysian armed forces, resulting in casualties on both sides. Clashes between the Malaysian authorities and followers of the Sultan of Sulu have killed at least 98 Filipino-Muslims and 10 Malaysian policemen army since 1 March 2013. In addition, about 4,000 Filipino- Muslims working in Sabah have reportedly returned to the southern Philippines.

On 9 May 2013, a Philippine Coast Guard ship opened fire on a Taiwanese fisherman's vessel in a disputed exclusive economic zone between Taiwan and the Philippines, killing a 65-year old Taiwanese fisherman. Although the Philippine government maintained that the loss of life was unintended, Taiwan imposed economic sanctions on the Philippines in the aftermath of the incident. Taiwan eventually lifted the sanctions in August 2013 after a formal apology was issued by the Government of the Philippines. However, the incident has raised tensions between the two countries in recent months.

Should territorial disputes between the Philippines and other countries in the region continue or escalate further, the Philippines and its economy may be disrupted and the Company's operations could be adversely affected as a result. In particular, further disputes between the Philippines and other countries may lead to reciprocal trade restrictions on the other's imports or suspension of visa-free access and/or permits. Any impact from these disputes in countries in which the Company has operations could materially and adversely affect the Company's business, financial condition and results of operations.

Investors may face difficulties enforcing judgments against the Company

It may be difficult for investors to enforce judgments against the Company owing to its global operations, diverse residencies of its different officers, and assets located in different jurisdictions. It may particularly be difficult for investors to effect service of process upon any officer who is not a resident of the country where judgments from courts or arbitral tribunals are obtained outside or within the Philippines if these are predicated upon the laws of jurisdictions other than the country where such judgments are obtained.

The Philippines is party to the United Nations Convention on the Enforcement and Recognition of Arbitral Awards, though it is not party to any international treaty relating to the recognition or enforcement of foreign judgments. Nevertheless, the Philippine Rules of Civil Procedure provide that a judgment or final order of a foreign court is, through the institution of an independent action, enforceable in the Philippines as a general matter, unless there is evidence that: (i) the foreign court rendering judgment did not have jurisdiction, (ii) the judgment is contrary to the laws, public policy, customs or public order of the Philippines, (iii) the party against whom enforcement is sought did not receive notice, or (iv) the rendering of the judgment entailed collusion, fraud, or a clear mistake of law or fact.

ITEM 2. PROPERTIES

IMI has production facilities in the Philippines (Laguna, Cavite and Taguig), China (Shenzhen, Jiaxing, and Chengdu), Singapore, Bulgaria, Czech Republic, and Mexico. It also has a prototyping and NPI facility located in Tustin, California. Engineering and design centers, on the other hand, are located in the Philippines, Singapore, China, United States, Bulgaria and Czech Republic. IMI also has a global network of sales and logistics offices in Asia, North America and Europe.

The Company's global facilities and capabilities of each location as of December 31, 2014 are shown below:

Location	Floor Area (in square meters)	Capabilities
Philippines-Laguna	96,182	▪ 37 SMT lines, 2 FC lines ▪ 5 COB/COF lines ▪ Box build ▪ Solder Wave, Potting, Al & AG W/B ▪ Protective Coating ▪ ICT, FCT, AOI, RF Testing ▪ Design & Development ▪ Test & System Development ▪ Complex Equipment manufacturing ▪ Cleanroom to class 100 ▪ LVHM, HVLM
Philippines-Cavite	2,350	▪ 3 SMT lines ▪ Box Build ▪ PTH, Solder Wave ▪ ICT, FCT, AOI ▪ LVHM
Singapore	4,000	• Central Warehouse, Logistics Services, HMLV
China-Liantang	18,600	▪ 20 SMT lines, 1 COB line ▪ Box Build ▪ PTH, Solder Wave ▪ POP, Auto Pin Insertion ▪ Potting, Conformal coating and Burn-in ▪ ICT, FCT, AOI, RF Testing ▪ Test & System Development ▪ Design & Development ▪ LVHM, HVLM ▪
China-Kiuchong	23,480	▪ 20 SMT lines ▪ Box Build ▪ PTH, Auto Pin Insertion, Solder Wave ▪ ICT, FCT, AOI, RF Testing ▪ Test & System Development ▪ LVHM, HVLM ▪
China-Jiaxing	13,000	▪ 13 SMT lines ▪ Box Build ▪ PTH, Auto Pin Insertion, Solder Wave ▪ Conformal Coating, Potting ▪ ICT, FCT, AOI, RF Testing ▪ Test & System Development ▪ LVHM, HVLM
China-Chengdu	7,500	▪ 8 SMT lines ▪ Box Build ▪ PTH, Auto Pin Insertion, BGA, X-Ray, COB ▪ Solder Wave ▪ Automated Conformal Coating ▪ ICT, FCT, AOI ▪ HVLM / LVHM ▪

Hong Kong*	300	• Procurement, marketing and supply chai support
Philippines-PSi Taguig	2,322	▪ Customer Specific Quality Requirements ▪ Low/ Med Power Discrete Packaging and Processes including Au Wire Bonding ▪ Al Ribbon, Cu Clip interconnect ▪ 3D Packaging, MCM ,High Reliability OFN Packages: 3 x 3 mm to 12x12 mm. ▪
Philippines-PSi Laguna	7,536	▪ Power Component Discrete Packaging, e.g., 3 - 7L TO-220, 3L TO-247, etc.. ▪ Diversified Packaging - from Low to High Power and Small to Large Outline ▪ R&D line ▪
Japan*	110	• Sales Support
USA-Tustin, CA*	1,184	▪ 2 SMT prototyping lines ▪ Engineering Development ▪ Prototype Manufacturing Center ▪ Precision Assembly ▪ SMT, COB FCOF ▪ Process Development
Botevgrad, Bulgaria	26,928	▪ 14 SMT lines ▪ Box build ▪ PTH, Auto Pin Insertion, Solder Wave ▪ Protective Coating ▪ ICT, FCT, AOI ▪ Test & System Development ▪ Design & Development ▪ Plastic Injection, Embedded Toolshop, Overmolding
El Salto, Guadalajara, Mexico	25,000	▪ 6 SMT lines ▪ Box build ▪ PTH, Auto Pin Insertion, Solder Wave, Protective Coating, Potting ▪ ICT, FCT, AOI, ▪ X-ray ▪ Plastic Injection (50-1,000T) ▪ Overmolding ▪ Embedded Toolshop ▪ Automated BE Assembly
Třemošná, Plzeňská, Czech Republic	7,740	▪ 4 SMT lines ▪ PTH, Auto Pin Insertion, Solder Wave, Ultrasonic Welding ▪ Protective Coating ▪ ICT, FCT, AOI ▪ Mechanical Assembly
Total	**236,232**	

Lease Commitments

Operating Lease Commitments - Group as Lessor
STEL entered into lease contracts on its leasehold building. These non-cancellable lease contracts have remaining lease terms ranging from one to five years. However, on August 27, 2014, STEL entered into an agreement relating to the sale and purchase of the said building with DBSTL.

STEL also entered into a lease contract with Manila Water Asia Pacific Pte Ltd (MWAP), an affiliate, for the lease of office premises. The lease shall be for a period of one year, commencing on June 1, 2013 up to May 31, 2014. Monthly rental rate amounts to $1,040.

The rental income recognized by STEL amounted to $1.26 million, $1.08 million and $0.57 million in 2014, 2013 and 2012, respectively.

The future minimum rental receivable of the Group as of December 31, 2013 is as follows:

Within one year	$1,234,000
More than one year but less than five years	1,617,000
	$2,851,000

Operating Lease Commitments - Group as Lessee

Parent Company
The Parent Company entered into a lease contract with Technopark Land, Inc. (TLI), an affiliate, for the lease of parcels of land situated at the Special Export Processing Zone, Laguna Technopark, Biñan, Laguna. The lease shall be for a period of three years, commencing on January 2, 2012 up to December 31, 2014, renewable at the option of the Parent Company upon such terms and conditions, and upon such rental rates as the parties may agree upon at the time of the renewal, taking into consideration comparable rental rates for similar properties prevailing at the time of renewal. The Parent Company shall pay monthly rental of ₱81,796 for 2012, ₱92,964 for 2013 and ₱105,778 for 2014. The Parent Company shall advise TLI in writing, at least sixty days before the expiration of the term, of its desire to renew the lease contract, which TLI may consider upon such terms and conditions as may be agreed between the parties.

On December 20, 2013, an amendment to the lease contract was executed modifying the terms as follows:

- The lease shall be effective from January 2, 2014 up to December 31, 2016; and
- The Parent Company shall pay monthly rental of ₱4,133,853.

IMI Singapore and STEL Group
IMI Singapore and STEL Group have various operating lease agreements in respect of office premises and land. These non-cancellable lease contracts have remaining non-cancellable lease terms of between one to thirty-eight years. Most of the lease contracts of IMI Singapore and STEL Group contain renewable options. There are no restrictions placed upon the lessee by entering into these leases.

On August 27, 2014, STEL entered into an agreement related to the sale and leaseback of the building with DBSTL, in its capacity as trustee of SBSR (see Note 9). The existing light industrial building is sited on a land area of 3,993 square meters and is held under lease issued by JTC for a term of 30 years from May 1, 2000 with a covenant by JTC to grant further term of 20 years subject to the terms and conditions of the lease.

The transaction was completed on December 23, 2014 with the approval of JTC for DBSTL to take over the lease of STEL with JTC. Pursuant to a Lease Agreement, DBSTL will lease the Property to STEL for a term of ten years.

IMI Japan
On February 15, 2010, IMI Japan entered into a 2-year lease contract with Kabushikigaisha Tokyu Community for the lease of office premises located in Nagoya, whereby it is committed to pay a monthly rental of ¥245,490, and monthly maintenance fee of ¥35,070, inclusive of tax. The lease contract provides for the automatic renewal of the lease contract, unless prior notice of termination is given to the lessor. On February 15, 2012, IMI Japan renewed its lease contract for another two years.

IMI USA
On July 17, 2008, IMI USA entered into a 7-year lease contract with Roy G.G. Harris and Patricia S. Harris for the lease of office premises commencing in August 2008 up to November 2014. The lease contract contains provisions including, but not limited to, an escalation rate of 3% per year and early termination penalties. The lease provides for monthly rental payment of $13,464 during the first year of the lease term.

On January 28, 2010, IMI USA entered into a 6-year lease contract with Fremont Ventures, LLC commencing two months from the issuance of building permit or maximum of three months, if

Fremont caused the delay. The base monthly rental rate is $3,687 on the first six months with an escalation every eleven months, as stated in the lease contract. Average monthly rental rate amounts to $9,523.

PSi
PSi has a cancellable 15-year operating lease agreement with FTI for its plant facilities, office spaces and other facilities, with Lot Nos. 92-A and 92-B commencing on August 15, 2004 up to August 14, 2019. The operating lease agreement with FTI provides for a 5% increase in rental per year starting on the second year and annually thereafter until the end of the lease term.

PSi leases its plant facilities, office spaces and other facilities in Calamba, Laguna from Centereach Resources, Inc. (CRI), an unrelated entity. The operating lease agreement will expire in March 2018.

In 2012, the operating lease agreement for the second facility was executed between CRI and PSi for office and warehouse use. The operating lease agreement commenced on October 13, 2012 and will expire on October 12, 2015.

The operating lease agreements with CRI provides for the increase in rental at varying rates over the term of the lease and the penalty interest rate of 3% per month using simple interest.

The aggregate rental expense of the Group, recognized on these operating lease commitments, are included in “Facilities costs and others - Outsourced activities” account under “Cost of goods sold and services” and “Operating expenses” accounts in the consolidated statements of income, amounted to $5.29 million in 2014, $3.47 million in 2013, and $1.14 million in 2012 (see Note 21).

Future minimum rentals payable under operating leases of the Group as of December 31, 2014 and 2013 follow:

	2014	2013
ıin one year	**$4,808,220**	$4,076,629
r one year but not more than five years	**11,557,249**	7,769,489
e than five years	**8,205,592**	2,580,123
	$24,571,061	$14,426,241

Finance Lease Commitments - Group as Lessee

IMI BG
IMI BG has various finance lease contracts with Interlease AD and UniCredit Leasing AD related to its machinery and production equipment with terms of three to five years and final repayment dates between 2014 and 2018. These leases are subject to interest rates of 3-month EURIBOR plus 2% to 4% per annum.

IMI CZ
IMI CZ has various finance lease contracts related to its machinery and production equipment and transportation equipment with terms of five to ten years and final repayment dates between 2013 and 2016. The leases of machinery and equipment are subject to interest rates ranging from 5.90% to 7.41% per annum. The lease of transportation equipment is subject to interest of 12.26% per annum.

Future minimum lease payments of the Group are as follows:

	Minimum Lease Payments		Present Value of Payments	
	2014	2013	**2014**	2013
Within one year (Note 14)	**$952,626**	$1,018,901	**$853,164**	$907,761
More than one year but less than five years	**2,367,757**	3,157,187	**2,257,583**	2,977,968
	$3,320,383	$4,176,088	**$3,110,747**	$3,885,729

Capital Expenditures

For 2015, the Company expects to spend US$27.7 million for capital expenditures to be partially funded by proceeds from the follow-on offering, cash from operations and debt. The main components of these expenditures are new buildings and extensions, purchase of equipment for new projects, various machineries restorations and strategic investments. These will ensure uninterrupted services and meeting demands of the Company's customers.

ITEM 3. LEGAL PROCEEDINGS

There are no material pending legal proceedings, bankruptcy petition, conviction by final judgment, order, judgment or decree or any violation of a securities or commodities law for the past five years to which the Company or any of its subsidiaries or its directors or executive officers is a party or of which any of its material properties are subject in any court or administrative government agency.

The Company filed a civil case on April 11, 2011 against Standard Insurance ("Standard") seeking to collect Standard's share in the loss incurred by the Company consisting in damage to production equipment and machineries as a result of the May 24, 2009 fire at the Company's Cebu facility which the Company claims to be covered by Standard's "Industrial All Risks Material Damage with Machinery Breakdown and Business Interruption" policy. The share of Standard in the loss is 22% or US $1,117,056.84 after its co-insurers all paid the amount of loss respectively claimed from them. The Company had to resort to court action after Standard denied its claim on the ground that the claim is an excepted peril. Standard filed a motion to dismiss on various grounds, such as lack of cause of action and of prescription. The Regional Trial Court denied the motion to dismiss but Standard filed a Motion for Reconsideration with the Court of Appeals (CA). On April 26, 2013, the CA dismissed the case on the ground that the claim has prescribed. On April 19, 2013, the Company filed a Motion for Reconsideration. On December 10, 2013, the Company received a decision promulgated on December 2, 2013 denying the said Motion for Reconsideration.

The Company filed a Petition for Review on Certiorari dated January 23, 2014 which is pending with the Supreme Court.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Except for matters taken up during the annual meeting of stockholders, there was no other matter submitted to a vote of security holders during the period covered by this report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

ITEM 5. MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The following table shows the high and low prices (in PhP) of IMI's shares in the Philippine Stock Exchange for the year 2014 and 2013:

Philippine Stock Exchange
Prices (in PhP/share)

	High		Low		Close	
	2014	2013	2014	2013	2014	2013
First Quarter	3.24	4.20	2.50	3.85	3.09	3.85
Second Quarter	6.00	3.85	3.10	2.92	5.90	2.94
Third Quarter	8.00	3.40	5.80	1.88	7.88	3.00
Fourth Quarter	8.84	3.00	6.69	2.50	6.77	2.50

The market capitalization of the Company's common shares as of December 31, 2014, based on the closing price of ₱ 6.77/share, was approximately ₱ 12.6 billion.

The price information of IMI's common shares as of the close of the latest practicable trading date, March 9, 2015, is ₱ 6.78 per share.

Holders

There are approximately 449 and 42 registered holders of common and preferred shares, respectively, as of January 31, 2015. The following are the top 20 registered holders of the common and preferred stockholders of the Company:

<u>Common Shares:</u>

	Stockholder Name	No. of Common Shares	Percentage of Common Shares
1.	AYC Holdings, Ltd.	945,537,373	50.9202%
2.	PCD Nominee Corporation (Filipino)	528,086,385	28.4391%
3.	EPIQ NV	200,000,000	10.7706%
4.	POMS Investment Pte Ltd.	57,339,671	3.0879%
5.	2014 ESOWN Subscriptions	31,797,958	1.7124%
6.	2007 ESOWN Subscription	30,372,413	1.6356%
7.	2009 ESOWN Subscription	18,050,534	0.9721%
8.	PCD Nominee Corporation (Non-Filipino)	15,294,251	0.8236%
9.	SIIX Corporation	6,581,622	0.3544%
10.	Chow Phui Kheong	3,164,906	0.1704%
11.	2004 ESOWN Subscription	3,090,040	0.1664%
12.	Kwok Kai Ming	1,698,768	0.0914%
13.	Josef Pfister	1,415,860	0.0762%
14.	Rafael Nestor Velez Mantaring	1,057,930	0.0570%
15.	Timothy Patterson	955,696	0.0515%
16.	Richard D. Bell	910,572	0.0490%
17.	Helmut Baumgart	865,448	0.0466%
18.	Lucrecio B. Mendoza	540,245	0.0291%
19.	Kot Yiu Kuen	490,244	0.0264%
20.	Shong Cheng Yeh	466,367	0.0251%

Preferred Shares:

	Stockholder Name	No. of Preferred Shares	Percentage of Preferred Shares
1.	Ayala Corporation	1,064,899,372	81.9153%
2.	Resins, Inc.	222,222,107	17.0940%
3.	SIIX Corp.	6,047,392	0.4652%
4.	Helmut Baumgart	1,062,122	0.0817%
5.	Andrew C. Carreon	1,043,400	0.0803%
6.	Meneleo J. Carlos, Jr.	855,000	0.0658%
7.	Neilson C. Esguerra	500,000	0.0385%
8.	Ceferino L. Follosco	426,720	0.0328%
8.	Francisco I. Ferrer	426,720	0.0328%
9.	Josef Pfister	362,824	0.0279%
10.	Transtechnology Pte Ltd	280,092	0.0215%
11.	Claudio Truzzi	208,680	0.0160%
12.	Mary Ann S. Natividad	200,000	0.0154%
13.	Rosalyn O. Tesoro	177,492	0.0136%
14.	Sherly D. del Carmen	121,920	0.0094%
15.	Peter Lausen	104,340	0.0080%
16.	Ceferina S. Santos	100,000	0.0077%
16.	Reynaldo N. Torda	100,000	0.0077%
17.	Fe R. Gonzales	80,000	0.0061%
18.	Maribeth D. Gamao	73,080	0.0056%
19.	Khalid S/O Faiz Mohamed	56,018	0.0043%
20.	Noelito A. Gamao	51,920	0.0040%

Dividends

Cash Dividends – Common Shares

DECLARATION DATE	PAYMENT DATE	RATE	RECORD DATE
February 17, 2014	March 19, 2014	USD 0.00140/ ₱0.06319	March 3, 2014
February 17, 2015	March 19, 2015	USD 0.0042/ ₱0.1868	March 4, 2015

Cash Dividends – Preferred Shares

DECLARATION DATE	PAYMENT DATE	RATE	RECORD DATE
December 10, 2012	February 21, 2013	8.25% p.a.	February 8, 2013
December 10, 2012	May 21, 2013	8.25% p.a.	May 8, 2013
December 10, 2012	August 23, 2013	8.25% p.a.	August 9, 2013
December 10, 2012	November 22, 2013	8.25% p.a.	November 11, 2013
November 29, 2013	February 21, 2014	2.90% p.a.	February 7, 2014
November 29, 2013	May 21, 2014	2.90% p.a.	May 7, 2014
November 29, 2013	August 22, 2014	2.90% p.a.	August 7, 2014
November 29, 2013	November 21, 2014	2.90% p.a.	November 7, 2014
December 2, 2014	February 20, 2015	2.90% p.a.	February 6, 2015
December 2, 2014	May 22, 2015	2.90% p.a.	May 8, 2015

December 2, 2014	August 24, 2015	2.90% p.a.	August 7, 2015
December 2, 2014	November 25, 2015	2.90% p.a.	November 11, 2015

Dividend policy

Dividends declared by the Company on its shares of stocks are payable in cash or in additional shares of stock. The payment of dividends in the future will depend upon the earnings, cash flow and financial condition of the Company and other factors. There are no other restrictions that limit the payment of dividends on common shares.

Cash dividends are subject to approval by the Company's Board of Directors but no stockholder approval is required. Property dividends which may come in the form of additional shares of stock are subject to approval by both the Board of Directors and the stockholders of the Company. In addition, the payment of stock dividends is likewise subject to the approval of the SEC and PSE.

The Subsidiaries have not adopted any formal dividend policies. Dividend policies for the Subsidiaries shall be determined by their respective Boards of Directors.

Recent Sale of Securities

The following shares were subscribed by the Company's executives as a result of their subscription to the stock ownership (ESOWN) plans:

Year	No. of Shares*
2014	31,797,958
2013	NIL

**Net of cancelled subscriptions.*

On July 20, 2004, the SEC approved the issuance of 150,000,000 ESOWN shares as exempt transactions pursuant to Section 10.2 of the Securities Regulation Code.

ITEM 6. MANAGEMENT DISCUSSION AND ANALYSIS OF OPERATION

Results of Operations

Revenues, gross profit, net income and the related computed EBITDA and basic earnings per share, for the years ended 2014, 2013 and 2012 are as follow:

	For the years ended 31 December		
	2014	**2013**	**2012**
	(in US$ thousands, except Basic EPS)		
Revenues from sales and services	844,474	745,032	661,850
Cost of goods sold and services	(750,541)	(677,103)	(604,914)
Gross profit	93,933	67,929	56,936
Net income attributable to equity holders of the Parent Company	29,117	10,473	5,585
EBITDA[1]	52,882	36,440	32,754
Basic Earnings per Share (EPS)	0.017	0.006	0.002

2014 vs. 2013

Revenues from Sales and Services

The Company's 2014 revenues rose 13% to $844.5 million from $745.0 million in 2013, faster than the global EMS industry's estimated growth of 6.7%.

IMI China operations posted $325.6 million revenues, up 17.5% from last year's primarily due to volume expansion in the telecommunications segment. The company benefitted from China's 4G rollout by way of increased demand for telecommunications infrastructure devices. The China operations accounted for 39% of IMI's total revenues.

The company's Europe and Mexico operations contributed 32% to the full year revenues. With the sustained expansion of the automotive business in IMI's factory in Bulgaria, revenues went up 14.4% to $268.6 million year-over-year. This was driven by the steady growth rate of global automotive unit production at around 4% in 2014.

IMI's EMS operations in the Philippines recorded $204.9 million in revenues, an 8.3% year-on-year growth bolstered by an increase in its storage device and automotive electronics businesses.

PSi Technologies Inc., IMI's subsidiary, posted $44.9 million in revenues, up 4.3% year-over-year due to increased demand for power semiconductors.

The company's automotive electronics business now accounts for 38% of IMI's total revenues and grew 15% from last year. Besides automotive sector, the Company's telecommunications and computing sector also posted a double-digit growth. The 4G rollout in China contributed to a 31% growth in the telecommunications infrastructure segment of the Company and now accounts for 21%

[1] EBITDA = EBITDA represents net operating income after adding depreciation and amortization, cost of share-based payments and foreign exchange gains/losses. EBITDA and EBITDA Margin are not measures of performance under PFRS and investors should not consider EBITDA, EBITDA Margin or EBIT in isolation or as alternatives to net income as an indicator of our operating performance or to cash flows, or any other measure of performance under PFRS. Because there are various EBITDA calculation methods, our presentation of these measures may not be comparable to similarly titled measures used by other companies.

of the total revenues while the computing segment grew 30% from last year mainly from increased demand in its storage device business.

Europe remains to be the biggest market of the company's products, comprising 50% of global sales, followed by America at 25%.

Cost of Goods Sold and Services
Cost of sales is higher by 11% mainly from increase in materials cost driven by growing turnkey businesses. Higher direct labor cost and ratio due to increase in labor-intensive consignment businesses in the Philippines.

Gross Profit and Gross Profit Margin
The Company's operations generated gross profit of US$93.9 million, higher year-on-year by 38% which is driven by higher revenues. Gross profit margin at 11.1% was higher by 252 bps from last year's 8.6% resulting from better margins across all sites driven by DM cost reductions and controlled overhead costs. The increase in consignment businesses generating higher margins for Philippines also contributed to the increase.

Operating Expenses
The Company's operating expenses went up by US$8.4 million or 15% due to increase in salaries and benefits, inventory provisions, software costs and restructuring costs

Net Income
The Company generated US$29.1 million net income, almost thrice that of last year's US$10.5 million. Operating income up by US$17.6 million, 4x that of last year's driven by improved profitability across all sites. The Company also recognized gain on sale from the sale of its Singapore property amounting to US$14.3 million, offset by impairment of goodwill and write-off of available-for-sale financial assets aggregating to US$8.9 million.

EBITDA
EBITDA higher by US$16.4 million or 45% driven by higher operating by US$17.6 million, however, offset by foreign exchange impact by US$1.4 million.

Financial Condition
The company's cash position at the end of 2014 is robust at $117.6 million, supported by a follow-on public offering that generated cash of PhP1.6 billion (US$36 million) and the sale of IMI's Singapore property that brought in $17.2 million. Current ratio and debt-to-equity ratio are 1.7:1 and 0.4:1, respectively.
Capital Expenditure

For the full year 2014, the Company's capital expenditures amounted to US$25.9 million which comprised mainly of warehouse, building improvements, machineries and facilities equipment to sustain continuous plant expansions and ERP system upgrade. For 2015, the Company expects to spend US$27.7 million for capital expenditures to be partially funded by proceeds from the follow-on offering, cash from operations and debt . The main components of these expenditures are new buildings and extensions, purchase of equipment for new projects, various machineries restorations and strategic investments. These will ensure uninterrupted services and meeting demands of the Company's customers.

Key performance Indicators of the Company

The table below sets forth the comparative performance indicators of the Company:

	As of the Years Ended		
	31 Dec 2014	**31 Dec 2013**	**31 Dec 2012**
Performance indicators			
Liquidity:			
Current ratio[a]	1.73	1.53	1.56
Solvency:			
Debt-to-equity ratio[b]	0.41	0.48	0.47

	For the years ended 31 December		
	2014	**2013**	**2012**
Operating efficiency:			
Revenue growth[c]	13%	13%	15%
Profitability:			
Return on equity[d]	13%	5%	3%
Return on assets[e]	5%	2%	1%
EBITDA margin[2]	6%	5%	5%

[a] *Current assets/current liabilities*
[b] *Bank debts/Equity attributable to equity holders of the Parent Company*
[c] *(Current year less previous year revenue)/Previous year revenue*
[d] *Net income attributable to equity holders of the Parent Company/Average equity attributable to Parent*
[e] *Net income attributable to equity holders of the Parent Company/Total Assets*

In the above:

(i) There are no known trends, events or uncertainties that will result in the Company's liquidity increasing or decreasing in a material way.

(ii) There were no events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

(iii) Likewise, there were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

(iv) There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on the Company's revenues from continuing operations.

[2] EBITDA Margin = EBITDA divided by revenues from sales and services where EBITDA represents net operating income after adding depreciation and amortization, cost of share-based payments and foreign exchange gains (losses). EBITDA and EBITDA Margin are not measures of performance under PFRS and investors should not consider EBITDA, EBITDA Margin or EBIT in isolation or as alternatives to net income as an indicator of our operating performance or to cash flows, or any other measure of performance under PFRS. Because there are various EBITDA calculation methods, our presentation of these measures may not be comparable to similarly titled measures used by other companies.

(v) There were no significant elements of income or loss that did not arise from continuing operations.

(vi) There are no seasonal aspects that may have a material effect on the financial condition of the Company.

Causes for any material changes
(Increase or decrease of 5% or more in the financial statements)

Income Statement Items
13% growth in Revenues from Sales and Services ($745.0M to $844.5M)
Increase was mainly due to the Company's automotive business expansion in Europe, Mexico and Philippines (↑US$42.3 million), increased demand in the telecom infrastructure business in China (↑US$41.9 million) and growth in computing business in the Philippines (↑US$11.3 million).

11% increase in Cost of Goods Sold and Services ($677.1M to $750.5M)
The increase in Cost of Goods Sold and Services was relative to the upsurge in revenues of turnkey businesses resulting to higher direct material costs, increase in labor cost ratio due to expansion of labor-intensive projects and increase in labor rate and increase in fixed overhead costs to cope with the business expansions.

15% increase in Operating Expenses ($55.8M to $64.2M)
The increase is attributable to increase in salaries and benefits, inventory provisions, software costs and restructuring costs.

246% increase in net finance and other income ($1.6M to $5.5M)
Gain on sale of property (+$14.3M), offset by impairment of goodwill (-$7.5M), forex impact in EU/MX and China entities (-$1.4M) and write-off of available-for-sale financial assets (-$1.4M).

37% increase in provision for income tax ($4.5M to $6.2M)
Increase in current tax due to higher income tax base resulting from higher revenues and better margins (+$3.5), offset by benefit from recognition of deferred tax asset on various allowance provisions (-$1.8M).

90% decrease in net loss attributable to Noncontrolling Interest (-$1.3M to -$0.1 million)
Relative to improved profitability of PSi.

Balance Sheet items
(31 Dec 2014 versus 31 Dec 2013)

140% increase in Cash and cash equivalents ($49.0M to $117.6M)
Follow-on offering generated cash of $36.0M and sale of Singapore property brought in $17.2M; capital expenditures at $25.9 million; net availment of bank loans at $5.1 million.

9% increase in Loans and receivables ($178.5M to $195.1M)
Increase is relevant to increase in revenues across major operating sites.

29% decrease in Other current assets ($16.6M to $11.9M)
Collection of VAT receivables in IMI MX ($4.2M).

5% decrease in Property, plant and equipment ($85.7M to $81.7M)
Capital expenditures during the year +$24.6M; Depreciation expense -$20.9M; Net book value of disposed assets (-$4.3M); Cumulative translation adjustments from EU entities (-$3.4M).

14% decrease in Goodwill ($54.4M to $46.9M)
Full impairment of PSi goodwill (-$7.5M).

18% decrease in Intangible assets ($4.9M to $4.0M)
Due to amortization of customer relationship recognized upon acquisition of Europe and Mexico subsidiaries (5-year amortization) and various computer software.

72% decrease in Available-for-sale financial assets ($1.9M to $0.5M)
Write off of investments securities comprising of non-cumulative, convertible preferred shares and convertible notes.

169% increase in Deferred tax assets ($0.6M to $1.7M)
Deferred tax recognized on allowance provisions.

6% increase in Accounts payable and accrued expenses ($171.1M to $182.1M)
Mainly from increase in accrual for salaries and benefits.

The following table sets forth the Company's accrued compensation, benefits and expenses as of 31 December 2014 versus the year ended 31 December 2013:

	2014	2013
Compensation and benefits	**$24,691,621**	$15,233,977
Taxes	**5,005,217**	7,119,042
Subcontracting costs	**2,204,049**	2,558,819
Professional fees	**2,311,496**	1,406,671
Light and water	**1,340,435**	1,986,827
Sales return	**1,233,490**	513,823
Supplies	**2,612,679**	923,554
Sales commission	**696,410**	638,011
Interest payable	**449,305**	471,700
Others	**9,818,643**	9,750,509
	$50,363,345	40,602,933

14% increase in Trust receipts and loans payable ($45.7M to $52.1M)
Net availment of IMI Philippines ($5M) and STEL ($10M) to fund working capital requirements of subsidiaries offset by settlement of BG and MX bank loans (-$8.6M).

121% increase in Income tax payable ($1.7M to $3.7M)
Increase in tax liability driven by increased revenues and profitability.

7% decrease in Long-term debt ($61.7M to $57.3M)
Second installment payment of Cooperatief to EPIQ NV of EUR2M (-$2.7M) related to the European acquisition; net availment of EU entities ($+0.9M); FX impact and cumulative translation adjustments (-$2.6M).

54% decrease in Deferred tax liabilities ($3.1M to $1.4M)
Reversals of deferred tax liability to recognize deferred tax asset on allowance provisions.

12% decrease in Deferred revenue ($1.7M to $1.4M)
Amortization of deferred revenue of PSi representing advances from customers for facilities support services.

30% decrease in Pension liability ($6.7M to $4.7M)
Decrease in salary increase assumption.

24% decrease in Obligations under finance lease ($3.0M to $2.3M)
Payments of finance lease of IMI BG on its production machinery and equipment.

16% increase in Capital stock-common ($30.0M to $34.9M)
Issuance of 215,000,000 shares through follow-on offering.

46% increase in Subscribed capital stock ($1.2M to $1.8M)
Subscriptions to 31.8 million shares under new Employee Stock Ownership (ESOWN) grants.

57% increase in Additional paid-in capital ($51.3M to $80.5M)
APIC in excess of par for the 215M newly issued shares from follow-on offering (+$31M); APIC in excess of par on the new ESOWN grants (+$3.5M); Cost of share-based payments (+$0.2M); acquisition of minority interest charged to APIC (-$3.4M); follow-on offering capitalized transaction cost (-$1.5M).

35% increase in Subscriptions receivable ($9.6M to $12.9M)
Subscriptions to new ESOWN grants (31.8 million shares).

31% increase in Retained earning-unappropriated ($83.5M to $109.5M)
Net income for the year at $29.1M; dividends declared on common and preferred -$3.1M.

651% decrease in Cumulative translation adjustments (-$1.4M to -$10.7M)
Arising from translation of management accounts of Europe denominated in their respective local currencies to the Parent Company's functional currency. Movement is attributable to appreciation of USD against subsidiaries' local currencies with regard to its net assets.

38% increase in Other comprehensive income (-$9.0M to -$5.6M)
Change in salary increase assumption.

108% increase in Noncontrolling interest (-$2.6M to -$0.2M)
Acquisition of the remaining noncontrolling interest of PSi (16.75%) and Microenergia (30%).

2013 vs. 2012

Revenues from Sales and Services

Amidst a subdued global economy, the Group revenues grew 12.6% to US$745.0 million in 2013 from US$661.8 million in 2012 due mainly to the Group's strong business expansion in Europe, Mexico and the Philippines.

The Company realized higher revenues with corresponding profitability despite several challenges. The Company's diversification strategy has afforded extensive global footprint, amplified technical capabilities, and wide-ranging customers.

IMI's China and Singapore operations contributed 37% to IMI's 2013 revenues, posting USD277 million, same level as last year's. Improvement in China's telecommunications market in the fourth quarter proved favorable to IMI's assembly operations of communication infrastructure devices.

Operations in Europe and Mexico generated USD235 million in consolidated revenues, or an increase of 28.9% year-over-year, due to the continued expansion of their automotive business.

IMI's Philippine operations recorded USD189 million in revenues, or an 20.9% year-on-year growth, mainly because of increased business in the storage device market following the consolidation of outsourced production of storage technology products from Japan.

PSi Technologies Inc., generated USD43 million revenues, down from the same period last year by 5.5% due to the shutdown of nonprofitable businesses.

The company's automotive electronics business now accounts for 37% of IMI's total revenues from 32% in 2012.

Europe remains to be the biggest market of the company's products, comprising 51% of global sales, followed by America at 30%.

Cost of Goods Sold and Services

Cost of sales is higher by 12% relative to the 13% increase in revenues. Increase is mainly attributable to direct materials from increased revenues of Europe and Mexico entities which are mostly under the turnkey business arrangement. Direct labor also increased from upsurge of labor-intensive businesses in the Philippines which are under the consignment arrangement.

Gross Profit and Gross Profit Margin

The Company's operations generated gross profit of US$67.9 million, higher year-on-year by 19% which is revenue driven. GP margin higher by 51 bps from better margins of Europe, Philippines and PSi, however offset by China driven by significant revenue drop and lower capacity utilization.

Operating Expenses

The Company's operating expenses went up by US$6.3 million or 13% due to higher reversal of prior year excess accruals in 2012 and higher general and administrative costs to support growth in line with continuous global expansion. The Group also recorded allowance provisions on certain assets.

Net Income

The company generated US$10.5 million net income, nearly doubled from last year's US$5.6 million. Operating income up by US$4.7 million or 64% driven by Europe entities. Beneficial FX positions contributed +US$1.5M vs. last year due to strengthening of USD/PHP (liability position) and appreciation of RMB/USD (asset position). Other business income such as rental and gain on sale of assets/materials +US$2.6M and amortization of deferred tax liability upon exercise of call option +US$0.8M also contributed significantly.

EBITDA

EBITDA higher by US$3.7 million or 11% from last year's US$32.8 million due to higher operating income +US$4.7 million and beneficial forex position +US$1.5M.

Financial Condition

The Company maintains financial stability with a cash balance of US$49.0 million as of December 31, 2013. Current ratio and debt-to-equity ratio remains healthy at 1:53:1 and 0.48:1, respectively.

Capital Expenditure

In 2013, the Company's capital expenditures amounted to US$20.8 million (inclusive of equipment under finance lease amounting to US$3.0M) which comprised mainly of warehouse, building improvements, machineries and facilities equipment to sustain continuous plant expansions. For 2014, the Company expects to spend $27M for capital expenditures. These capital expenditures are to be partially funded by proceeds of the Company's cash from operations and debt. The main components of these expenditures are building extensions and improvements, purchase of equipment for new projects, various machineries restorations and innovation and strategic investments. These will ensure uninterrupted services and meeting demands of the Company's customers.

Key performance Indicators of the Company

The table below sets forth the comparative performance indicators of the Company:

	As of the Years Ended		
	31 Dec 2013	**31 Dec 2012 (As restated)**	**31 Dec 2011 (As restated)**
Performance indicators			
Liquidity:			
Current ratio[a]	1.53x	1.56x	1.51x
Solvency:			
Debt-to-equity ratio[b]	0.48x	0.47x	0.43x

	For the years ended 31 December		
	2013	**2012 (As restated)**	**2011 (As restated)**
Operating efficiency:			
Revenue growth[c]	13%	15%	40%
Profitability:			
Return on equity[d]	5%	3%	2%
Return on assets[e]	2%	1%	1%
EBITDA margin[3]	5%	5%	3%

[a] *Current assets/current liabilities*
[b] *Bank debts/Equity attributable to equity holders of the Parent Company*
[c] *(Current year less previous year revenue)/Previous year revenue*
[d] *Net income attributable to equity holders of the Parent Company/Average equity attributable to Parent*
[e] *Net income attributable to equity holders of the Parent Company/Total Assets*

In the above:

(vii) There are no known trends, events or uncertainties that will result in the Company's liquidity increasing or decreasing in a material way.

(viii) There were no events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

(ix) Likewise, there were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

(x) There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on the Company's revenues from continuing operations.

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[3] EBITDA Margin = EBITDA divided by revenues from sales and services where EBITDA represents net operating income after adding depreciation and amortization, cost of share-based payments and foreign exchange gains (losses). EBITDA and EBITDA Margin are not measures of performance under PFRS and investors should not consider EBITDA, EBITDA Margin or EBIT in isolation or as alternatives to net income as an indicator of our operating performance or to cash flows, or any other measure of performance under PFRS. Because there are various EBITDA calculation methods, our presentation of these measures may not be comparable to similarly titled measures used by other companies.

(xi) There were no significant elements of income or loss that did not arise from continuing operations.

(xii) There are no seasonal aspects that may have a material effect on the financial condition of the Company.

Causes for any material changes

(Increase or decrease of 5% or more in the financial statements)

Income Statement items
(Year ended 31 Dec 2013 versus 31 Dec 2012)

13% growth in Revenues from Sales and Services ($661.8M to $745.0M)
Increase was mainly due to the Company's automotive business expansion in Europe and Mexico (↑US$53.6 million) and the Philippines (↑US$30.1 million) due to increased business in the storage device market.

12% increase in Cost of Goods Sold and Services ($604.9M to $677.1M)
The increase in Cost of Goods Sold and Services was relative to the upsurge in revenues of turnkey businesses resulting to higher direct material costs, increase in labor cost ratio due to expansion of labor-intensive projects and increase in fixed overhead costs to cope with the business expansions.

13% increase in Operating Expenses ($49.5M to $55.8M)
The increase can be attributable to higher reversal of PY excess accruals in 2012 by US$2M and increased expenses (people costs, government-related costs, higher utilities). Provision for inventory obsolescence, bad debts and idle assets were also recognized for Bulgaria, China and Philippines.

163% increase in net finance and other income (-$2.5M to $1.6M)
Foreign exchange +US$1.5M due to strengthening of USD/PHP (liability position) and appreciation of RMB/USD (asset position). Other income also grew from other business income such as rental and gain on sale of assets/materials +US$2.6M.

14% increase in provision for income tax ($4.0M to $4.5M)
Increase in current tax from higher taxable base due to better margins. Increase in deferred tax benefit from reversal of deferred tax liability upon exercise of call option +US$0.8M, however, offset by reversal of deferred tax assets from allowance provisions.

88% increase in net income attributable to equity holders of the Parent Company ($5.6M to $10.5M)
Relative to increase in revenues and improved profitability.

66% decrease in net loss attributable to Noncontrolling Interest (-$4.7M to -$1.3 million)
Lower net loss of PSi by 54% as a result of consolidation of facilities coupled by dilution of minority share in PSi (44.22% to 16.75%).

Balance Sheet items
(31 Dec 2013 versus 31 Dec 2012)

13% decrease in Cash and cash equivalents (from $56.2M to $49.0M)
Operating activities generated $15.1 million cash mainly from higher operating income. Cash used for investing activities amounted to US$16.9M mainly attributable to capital expenditures to support growth and expansion. Financing activities used US$5.3M of cash to settle some loans, pay dividends to stockholders and pay separation benefits.

18% increase in Loans and receivables ($150.9M to $178.5M)
Relevant to significant growth of revenues from Europe, Mexico and Philippine operations.

13% increase in Inventories ($83.2M $94.1M)

Increase attributable to growth of turnkey businesses particularly in Europe and Mexico. Turnkey:consignment ratio from 89:11 to 91:9.

100% decrease in Derivative assets ($2.9M to $-)
Exercise of call option.

124% increase in Other current assets ($7.4M to $16.6M)
Represents VAT claims of IMI Mexico.

18% decrease in Intangible assets ($5.9M to $4.9M)
Due to amortization of customer relationship recognized upon acquisition of Europe and Mexico subsidiaries (5-year amortization) –US$1.8M, offset by additional computer software acquired during the year +US$0.8M.

40% decrease in Deferred income tax assets ($1.1M to $0.6M)
Attributable to allowance for bad debts and inventory obsolescence.

43% increase in Other noncurrent assets ($1.8M to $2.6M)
Increase in miscellaneous deposits.

16% increase in Accounts payable and accrued expenses ($143.4M to $171.1M)
Increase in trade payables (↑$19M) from IMI Europe and Philippines with reference to increased inventories and longer days payable for PSi. Increase in accrued expenses (↑$12M) mainly from additional accruals for people-related costs, subcontracting costs, taxes, supplies, utilities and professional fees.

10% increase in Current portion of long-term debt ($2.6M to $2.9M)
Appreciation of Euro against USD resulted to higher USD equivalent (+US$109K) of the €2M current portion of long-term debt to EPIQ NV. IMI CZ also incurred additional long-term debt in 2013 (current portion amounted to $145K).

33% decrease in Deferred tax liabilities ($4.6M to $3.1M)
Due mainly to reversal of deferred tax liability upon exercise of the call option and amortization of deferred tax liabilities on increase in fair value of PPE and recognition of intangibles for IMI EU/MX at the time of acquisition.

14% decrease in Deferred revenue ($2.0M to $1.7M)
Amortization of deferred revenue of PSi representing advances from customers for facilities support services.

188% increase in Pension liabilities ($2.3M to $6.7M)
Increase in actuarial losses recognized in other comprehensive income as a result of increased salary rate assumption.

322% increase in Obligation under finance lease ($0.7M to $3.0M)
Additional finance lease contracts related to IMI Europe's machineries and production equipment.

12% decrease in Additional Paid-in Capital ($58.6M to $51.3M)
Arising from change in ownership in PSi from 55.78% to 83.25%. Additional investment in PSi amounting equivalent to the value of call option at the time of exercise (US$3.0), cash consideration (US$125K), and dilution of non-controlling interest (US$4.5) was allocated to APIC.

<u>38% increase in Cumulative translation adjustments (-$2.3M to -$1.4M)</u>
Arising from translation of accounts of newly acquired entities in Europe and Mexico denominated in their respective local currencies to the Parent Company's functional currency. Movement is attributable to appreciation of subsidiaries' local currencies against USD with regard to its net assets.

<u>94% increase in Other comprehensive loss (-$4.6M to -$9.0M)</u>
Increase in actuarial losses resulting from increased salary rate assumption.

<u>56% increase in Minority interests in a consolidated subsidiary (-$5.9M to $-2.6M)</u>
Lower share of minority in the net liabilities of PSi as a result of change in ownership from 55.78% to 83.25%.

ITEM 7. FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

Please see attached Exhibit 1.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

<u>Changes in Accounting Policies and Disclosures</u>

New and amended standards and interpretation
The Group applied for the first time certain standards and interpretation, which are effective for annual periods beginning on or after January 1, 2014. Except as otherwise indicated, these standards and interpretation have no impact on the Group's financial position, financial performance and/or disclosures:

- Philippine Accounting Standards (PAS) 32 (Amendments), *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively.

- PAS 36 (Amendments), *Impairment of Assets – Recoverable Amount Disclosures for Nonfinancial Assets*
These amendments remove the unintended consequences of PFRS 13*, Fair Value Measurement,* on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash- generating units (CGUs) for which an impairment loss has been recognized or reversed during the period.

- PAS 39 (Amendments), *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required.

- PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities* and PAS 27, *Separate Financial Statements* (Amendments) – *Investment Entities*
These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss (FVPL). The amendments must be applied retrospectively, subject to certain transition relief.

- Philippine Interpretation of International Financial Reporting Interpretations Committee (IFRIC) 21, *Levies*
Philippine Interpretation of IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy

that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for this interpretation.

Standards Issued but not yet Effective

The Group will adopt the following new and amended standards and interpretation when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards and interpretation to have significant impact on the consolidated financial statements.

Effective in 2015

- PAS 19 (Amendments), *Employee Benefits – Defined Benefit Plans: Employee Contributions* (effective for annual periods beginning on or after January 1, 2015 and are applied retrospectively)

Annual improvements to PFRSs (2010-2012 cycle) (effective for annual periods beginning on or after January 1, 2015)

These annual improvements include:

- PAS 16, *Property, Plant and Equipment – Revaluation Method – Proportionate Restatement of Accumulated Depreciation*
- PAS 24, *Related Party Disclosures – Key Management Personnel*
- PFRS 2, *Share-based Payment – Definition of Vesting Condition*
- PFRS 3, *Business Combinations – Accounting for Contingent Consideration in a Business Combination*
- PFRS 8, *Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*

Annual improvements to PFRSs (2011-2013 cycle) (effective for annual periods beginning on or after January 1, 2015)

These annual improvements include:

- PAS 40, *Investment Property*
- PFRS 3, *Business Combinations – Scope Exceptions for Joint Arrangements*
- PFRS 13, *Fair Value Measurement – Portfolio Exception*

Effective in 2016

- PAS 16, *Property, Plant and Equipment and PAS 38, Intangible Assets (Amendments) – Clarification of Acceptable Methods of Depreciation and Amortization* (effective for annual periods beginning on or after January 1, 2016 and are applied prospectively)
- PAS 16, *Property, Plant and Equipment and PAS 41, Agriculture (Amendments) – Bearer Plants* (effective for annual periods beginning on or after January 1, 2016 and are applied retrospectively)
- PAS 27 (Amendments), *Separate Financial Statements – Equity Method in Separate Financial Statements* (effective for annual periods beginning on or after January 1, 2016 and are applied retrospectively)
- PFRS 10, *Consolidated Financial Statements and PAS 28, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (effective for annual periods beginning on or after January 1, 2016 and are applied retrospectively)
- PFRS 11 (Amendments), *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations* (effective for annual periods beginning on or after January 1, 2016 and are applied prospectively)

Annual Improvements to PFRSs (2012-2014 Cycle) (effective for annual periods beginning on or after January 1, 2016)

These annual improvements include:

- PAS 19, *Employee Benefits – Regional Market Issue Regarding Discount Rate*
- PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal*
- PFRS 7, *Financial Instruments: Disclosures – Servicing Contracts*

Effective in 2018

- PFRS 9, *Financial Instruments* (effective for annual periods beginning on or after January 1, 2018 and are applied retrospectively)

Interpretation whose effective date was deferred

- Philippine Interpretation of IFRIC 15, *Agreement for Construction of Real Estate*

Standard issued by the IASB but not yet been adopted by the Financial Reporting Standards Council

- IFRIC 15, *Revenue from Contracts with Customers*

Information on Independent Public Accountant

a. The principal accountants and external auditors of the Company is the accounting firm of SyCip Gorres Velayo & Company (SGV & Co.). The same accounting firm is being recommended for re-election at the scheduled annual meeting.

b. Representatives of SGV & Co. for the current year and for the most recently completed fiscal year are expected to be present at the Annual Stockholders' Meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

   Pursuant to the General Requirements of SRC Rule 68, Par. 3 (Qualifications and Reports of Independent Auditors), the Company has engaged SGV & Co. as external auditor of the Company, and Ms. Josephine Adrienne A. Abarca has been the Partner-in-Charge effective audit year 2009.

c. Changes in and disagreements with accountants on accounting and financial disclosure

   The Company has engaged the services of SGV & Co. during the two most recent fiscal years. There are no disagreements with SGV & Co. on accounting and financial disclosure.

External Audit Fees and Services

The Company paid or accrued the following fees, including VAT, to its external auditors in the past two years:

	Audit & Audit-related Fees	Tax Fees	Other Fees
2014	₱ 8.50M*	₱ 0.70M	₱ 0.07M
2013	₱ 3.36M	-	₱ 1.35M

* *includes special audit as of and for the periods ended July 31, 2014 and 2013 in relation to follow-on offering*

SGV & Co. was engaged by the Company to audit its annual financial statements.

Tax fees

The Company engaged SGV & Co. to perform tax compliance review for 2014.

All other fees

In 2014, the Company engaged the services of SGV & Co. to perform the validation of votes during its 2014 annual stockholder's meeting for P 0.07M.

In 2013, the Company engaged the services of SGV & Co. to perform tax advisory and transfer pricing services, agreed-upon procedure on review of impairment test of goodwill and validation of votes during the 2013 annual stockholder's meeting. Aggregate amount of other non-audit related fees amounted to P1.35 million.

PART III - CONTROL AND COMPENSATION INFORMATION

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

The write-ups below include positions held by the directors and executive officers currently and during the past five years and their personal circumstances as of December 31, 2012.

Board of Directors

Jaime Augusto Zobel de Ayala	Chairman of the Board of Directors
Arthur R. Tan	Director, President & Chief Executive Officer
Fernando Zobel de Ayala	Director
Jose Ignacio A. Carlos	Director
John Eric T. Francia	Director
Delfin C. Gonzalez, Jr.	Director
Delfin L. Lazaro	Director
Rafael Ma. C. Romualdez	Director
Edgar O. Chua	Independent Director
Alelie T. Funcell	Independent Director
Hiroshi Nishimura	Independent Director

Jaime Augusto Zobel de Ayala, Filipino, 55, has served as Chairman of the Board of Directors of IMI since January 1995. He holds the following positions in publicly listed companies: Chairman and CEO of Ayala Corporation; Chairman of Globe Telecom, Inc. and Bank of the Philippine Islands; and Vice Chairman of Ayala land, Inc. and Manila Water Company, Inc. He is also the Co-Chairman of Ayala Foundation, Inc.; Vice Chairman of AC Energy Holdings, Inc.; Chairman of Harvard Business School Asia-Pacific Advisory Board; Vice Chairman of the Makati Business Club, and member of the Harvard Global Advisory Council, Mitsubishi Corporation International Advisory Committee, JP Morgan International Council, National Competitiveness Council and Endeavor Philippines; and a Philippine Representative for APEC Business Advisory Council. He graduated with B.A. in Economics (Cum Laude) at Harvard College in 1981 and took his MBA at the Harvard Graduate School of Business Administration in 1987.

Arthur R. Tan, Filipino, 55, is a member of the Board of Directors of IMI since July 2001. He has been the President and Chief Executive Officer of Integrated Micro-Electronics, Inc., a publicly listed company, since April 2002. Concurrently, he is a Senior Managing Director of Ayala Corporation; the President and Chief Executive Officer of PSi Technologies Inc., and President of Speedy-Tech Electronics Ltd. He graduated with B.S. in Electronics Communications Engineering degree from Mapua Institute of Technology in 1982 and attended post graduate programs at the University of Idaho, Singapore Institute of Management, IMD and Harvard Business School.

Fernando Zobel de Ayala, Filipino, 54, has served as a director of IMI since January 1995. He holds the following positions in publicly listed companies: Director, President and Chief Operating Officer of Ayala Corporation; Chairman of Ayala Land, Inc. and Manila Water Company, Inc.; and Director of Bank of The Philippine Islands and Globe Telecom, Inc. He is the Chairman of AC International

Finance Ltd., AC Energy Holdings, Inc., and Hero Foundation, Inc.; Co-Chairman of Ayala Foundation, Inc.; Director of LiveIt Investments, Ltd., Ayala International Holdings Limited, Honda Cars Philippines, Inc., Isuzu Philippines Corporation, Pilipinas Shell Petroleum Corp., Manila Peninsula and Habitat for Humanity International; Member of the INSEAD East Asia Council, World Presidents' Organization and Habitat for Humanity International; Chairman of Habitat for Humanity's Asia-Pacific Capital Campaign Steering Committee; and Member of the Board of Trustees of Caritas Manila, Pilipinas Shell Foundation, Kapit Bisig para sa Ilog Pasig Advisory Board, National Museum and the foundation of the Roman Catholic Church. He graduated with B.A. Liberal Arts at Harvard College in 1982.

Jose Ignacio A. Carlos, Filipino, 45, has been a Director of IMI since December 2006. Concurrently, he is the President of Polymer Products Philippines, Inc. and AVC Chemical Corporation. He is also a member of the Board of Directors of Resins, Inc., Riverbanks Development Corporation, Mindanao Energy Systems, Inc., Cagayan Electric Power and Light Co., and Philippine Iron Construction and Marine Works, Inc. He earned a BS Management degree from the Ateneo de Manila University in 1991 and finished Masters of Business Administration at the Johnson Graduate School of Management Cornell University in 1999.

John Eric T. Francia, Filipino, 43, is a Director of IMI since July 2010. He holds the following positions in publicly listed companies: Managing Director of Ayala Corporation and Director of Manila Water Co., Inc. He is the President and CEO of AC Energy Holdings, Inc. and AC Infrastructure Holdings Corporation since 2011. He is also a member of the Board of Directors of the following companies within the Ayala Group: LiveIt Investments Ltd., LiveIt Global Services Management Institute, Inc., Northwind Power Development Corporation, North Luzon Renewable Energy Corporation, South Luzon Thermal Energy Corporation, Quadriver Energy Corporation, Automated Fare Collection Services, Inc., Light Rail Manila Corporation, and HCM City Infrastructure Investment Joint Stock Company. From January 2009 to September 2014, Mr. Francia was head of Ayala's Corporate Strategy and Development Group, which is responsible for overseeing Ayala's portfolio strategy and new business development. Prior to joining Ayala, Mr. Francia was involved in the fields of management consulting, academe and media. He received his undergraduate degree in Humanities and Political Economy from the University of Asia & the Pacific, graduating magna cum laude. He then completed his Masters Degree in Management Studies at the University of Cambridge in the UK, graduating with First Class Honors.

Delfin C. Gonzalez, Jr., Filipino, 65, joined the IMI board in July 2010 and became a member of the IMI's Finance and Audit Committees. He is the Chief Finance Officer of Ayala Corporation, a publicly listed company, and is also a member of its Management Committee and Finance Committee since April 2010. He joined Ayala Corporation in late 2000, assigned as Chief Finance Officer for its subsidiary, Globe Telecom, Inc. until early 2010. He also holds the following positions in various companies of the Ayala Group: Chairman of Darong Agricultural Development Corporation, AC Infrastructure Holdings Corporation and AYC Finance Ltd.; President and Director of Ayala DBS Holdings Inc.; and Director of AC International Finance, Ltd., Asiacom Philippines, Inc., AC Energy Holdings, Inc., LiveIt Investments, Ltd., Ayala Aviation Corporation, AYC Holdings Ltd., Michigan Holdings, Inc., Azalea International Venture Partners Ltd., Philwater Holdings Company, and various Ayala international companies. Mr. Gonzalez earned a degree in BS Chemical Engineering from De La Salle College Manila in 1971 and took his Masters in Business Administration at the Harvard Business School in 1975.

Delfin L. Lazaro**,** Filipino, 68, has served as member of the Board of IMI since May 2000. He holds the following positions in publicly listed companies: Director of Ayala Corporation, Ayala Land, Inc., Manila Water Company, Inc., and Globe Telecom, Inc.; and Independent Director of Lafarge Republic, Inc. His other significant positions include: Chairman of Philwater Holdings Company, Inc. and Atlas Fertilizer & Chemicals Inc.; Chairman and President of A.C.S.T. Business Holdings, Inc.; Vice Chairman and President of Asiacom Philippines, Inc.; Director of AC Energy Holdings, Inc., AC Infrastructure Holdings Corporation, Ayala International Holdings, Ltd., Bestfull Holdings Limited, Probe Productions, Inc. and Empire Insurance Company; and Trustee of Insular Life Assurance Co., Ltd. He graduated with BS Metallurgical Engineering at the University of the Philippines in 1967 and took his MBA (with Distinction) at Harvard Graduate School of Business in 1971.

Rafael Ma. C. Romualdez, Filipino, 51, has been a Director of IMI since May 1997. He is presently a Director of Resins, Inc., RI Chemical Corporation and Claveria Tree Nursery, Inc. He is also the Chairman of the Philippine Iron Construction and Marine Works, Inc., Pigmentex Incorporated, Pacific Resins, Inc., and MC Shipping Corp. He earned a degree in B.A. Mathematics from Boston College in 1986 and took Masters in Business Administration at the George Washington University in 1991.

Edgar O. Chua, Filipino, 58, has been an independent director of IMI since April 2014. He is the Chairman of the Shell Companies in the Philippines where he is responsible for the exploration, manufacturing and marketing sector of the petroleum business of various Shell companies. Likewise, he oversees the Chemicals businesses and Shared Services of Shell. He is currently in the advisory board of Mitsubishi Motors, Globe Telecommunication, Inc., a listed company, and Coca-cola FEMSA Philippines. He also holds the following positions: Chairman of the Philippine Business for the Environment and Energy Council of the Philippines; President of Pilipinas Shell Foundation, Inc. and trustee of various civic and business organizations including the National Competitiveness Council and the Trilateral Commission. He held senior positions outside the Philippines as Transport analyst in Group Planning in the UK and as General Manager of the Shell Company of Cambodia, and various regional positions in Shell Oil Products East. Mr. Chua earned his Bachelor of Science Degree in Chemical Engineering from De La Salle University in 1978 and attended various international seminar and courses including the senior management course in INSEAD, France.

Alelie T. Funcell, Filipino, 59, has been an independent director of IMI since April 2010. She is the Founder, CEO, and President of Renewable Energy Test Center. She served as Chief Operating Officer and Senior Vice President of Quality at Solaria, Inc., a manufacturer of Concentrator Photovoltaic products and Vice President of Supplier Management and Manufacturing Operations of Xilinx, Inc., a billion dollar semiconductor company. She is not a director of any publicly listed company. Prior to Xilinx, she also worked in several semiconductor companies, including Intel, IDT and Silicon Systems. She is credited with numerous patents in the Semiconductor Packaging and Solar Industry. She is twice a recipient of the S.C. Valley YWCA "Tribute to Woman in the Industry" (TWIN) Award in 1994 while at IDT and in 2000 while at Xilinx. She was President of the Filipino-American Association of Milpitas, California in 1994 to 1996, a very active Bay area Filipino organization. She received an award from the FWN, as one of the 100 Most Influential Filipino Women in the United States in 2009. She finished a degree in Chemical Engineering at University of Sto. Tomas in 1977.

Hiroshi Nishimura, Japanese, 61, has been an independent director of IMI since April 2010. He is the Chairman and President of Linkwest International Consultancy Services, Inc. He also serves as the Executive Vice President of All Purpose Appliances & Multi-Products, Inc. He served as President of Panasonic Communications Philippines Corporation (PCP), formerly known as Kyushu Matsushita Electronics Philippines (PKME), from 2000-2007. He finished a degree in Electronics Engineering Course at Kurame University in 1976.

Nominees to the Board of Directors for election at the stockholders' meeting:

All incumbent directors.

Management Committee Members / Key Executive Officers

*	Jaime Augusto Zobel de Ayala	Chairman of the Board
*	Arthur R. Tan	President & Chief Executive Officer
**	Jerome S. Tan	Chief Financial Officer
**	Linardo Z. Lopez	Senior Managing Director, Global Head of Materials and Supply Chain
	Gilles Bernard	Senior Managing Director – COO Europe and Asia
	Anthony Raymond P. Rodriguez	Assistant Vice President, Head – Treasury & Credit
	Solomon M. Hermosura	Corporate Secretary
	Nimfa Ambrosia L. Perez-Paras	Assistant Corporate Secretary

** Members of the Board of Directors*

*** Management Committee members*

Jerome S. Tan, Singaporean, 53, is the Chief Financial Officer of IMI since January 2011. He oversees Finance, Treasury, Credit, Controllership and ICT functions of the IMI global operation. He brings more than 20 years of broad-based experience and various achievements in finance, strategic planning, business development and acquisition/integration. He has assumed regional leadership roles in multinational Banking and Finance companies, and Food and Beverage industry located in different regions in the Asia Pacific. Prior to joining IMI, he was connected with NBC Universal, the media unit of General Electric Corporation by serving as the CFO of the TV Group and was responsible for the overall Finance function in Asia Pacific for CNBC and Universal Network. He was also a key member of the management team of San Miguel Brewing International Ltd., managing Treasury and Financial Planning, and Regional Business Planning and Development. Before his exposure in the food and beverage industry, he was an Assistant Director in First Pacific Bank Asia, Ltd., in Hong Kong. He started his career as an Associate in Robert Fleming, Inc., in New York City, USA. He graduated with B.A. in Economics from De La Salle University in 1982 and obtained an MBA from University of Virginia in 1987.

Linardo Z. Lopez, Filipino, 57, joined IMI as Senior Managing Director and Global Head of Materials and Supply Chain in March 2008 and has served as such up to the present. He spent a significant part of his career in OEM and contract manufacturing industries, notably with industry leaders such as Solectron and Flextronics in China. He finished a degree in Management and Industrial Engineering at Mapua Institute of Technology in 1978.

Gilles Bernard, French, 57, is the Global Chief Operating Officer of IMI effective February 2014. He holds this position on top of his role as Head of Global Operations Support. Before this movement, he was the COO for Europe and Mexico operations and Head of Global Operations support overseeing global Materials Management, Quality, Sales and Key Strategic Accounts Management. Prior to joining IMI, he was the General Manager of EPIQ NV from 1995 up to 2001, before he assumed the CEO post in 2001. He held this position until EPIQ NV's acquisition in 2011. He started his career as a development engineer and later on became D & D Manager of passive components division of Thomson. He then moved to the SMEE subsidiary of Mitsubishi Corporation as Quality Manager of SMEE. He finished a degree in Engineering and obtained a Master's Degree in Physics and Chemistry from Paris 13th University in 1976.

Anthony Raymond P. Rodriguez, Filipino, 47, is an Assistant Vice President and Head of Treasury and Credit of IMI since February 2009. Prior to IMI, he has gained nineteen (19) years of extensive professional experience from Banco de Oro – EPCI Bank as Senior Dealer –FX and Derivatives Desk and from Far East Bank & Trust Co. as International Desk Head for Treasury Marketing. He finished a degree in Industrial Engineering at University of Sto. Tomas in 1990 and obtained an MBA from De La Salle University in 1997.

Solomon M. Hermosura, Filipino, 52, has served as Corporate Secretary of IMI since November 2013. He is a Managing Director of Ayala Corporation and a member of its Management Committee since 2009 and the Ayala Group Management Committee since 2010. He is also the Group Head of Corporate Governance, General Counsel, Compliance Officer, and Corporate Secretary of Ayala Corporation. He is the CEO of Ayala Group Legal. He serves as Corporate Secretary of Globe Telecom, Inc., Manila Water Company, Inc., and Ayala Foundation, Inc.; and a member of the Board of Directors of a number of companies in the Ayala group. He graduated valedictorian with Bachelor of Laws degree from San Beda College in 1986 and placed third in the 1986 Bar Examination.

Nimfa Ambrosia L. Perez-Paras, Filipino, 49, has served as the Assistant Corporate Secretary of IMI since April 2014. She is a Senior Counsel of Ayala Group Legal. She is the Assistant Corporate Secretary of listed companies namely: Cebu Holdings, Inc. and Cebu Property Ventures and Development Corporation. She handles various corporate secretarial functions for affiliates of IMI and for a number of companies within the Ayala Group. Prior to joining Ayala Group Legal in February 2014, she was a State Counsel at the Department of Justice. She also worked at the Regional Trial Courts of Makati and Quezon City. In the private sector, she worked as Legal Counsel for Coca-Cola Bottlers Philippines, Inc., RFM Corporation, and Roasters Philippines, Inc. She graduated with a Bachelors of Law degree from Manuel L. Quezon School of Law in 1990.

Significant Employees

The Company considers its human resources working as a team as a key element for its continued success. But the Company has no employee who is not an executive officer and who is expected to make individually on his own a significant contribution to the business.

Family Relationships

Jaime Augusto Zobel de Ayala, Chairman of the Board, and Fernando Zobel de Ayala, a director of the Company, are brothers. Jose Ignacio A. Carlos and Rafael Ma. C. Romualdez, both incumbent directors, are first cousins.

There are no known family relationships between the current members of the Board and key officers other than the above.

Involvement in Legal Proceedings

There are no material pending legal proceedings, bankruptcy petition, conviction by final judgment, order, judgment or decree or any violation of a securities or commodities law for the past five years to which the Company's directors or executive officers is a party or of which any of its material properties are subject in any court or administrative government agency.

ITEM 10. EXECUTIVE COMPENSATION

Name and Principal Position	Year	Salary	Other Income
Arthur R. Tan President & Chief Executive Officer			
Gilles Bernard Senior Managing Director-COO Europe & Asia			
Linardo Z. Lopez Senior Managing Director, Global Materials & Supply Chain			
Anthony Raymond P. Rodriquez AVP, Head of Treasury and Credit			
Jerome S. Tan Global Chief Finance Officer			
CEO & Other Named Executive Officers	Actual 2013	₱ 67.09M	₱ 13.69M
	Actual 2014	₱ 67.14M	₱ 15.46M
	Projected 2015	₱ 74.72M	₱ 16.58M
All officers as a group unnamed*	Actual 2013	₱ 388.74M	₱ 75.52M
	Actual 2014	₱ 426.16M	₱ 83.84M
	Projected 2015	₱ 450.10M	₱ 89.11M

**All employees with a rank of manager and higher, including all above-named officers.*

The total annual compensation consists of basic pay and other taxable income (guaranteed bonus and performance-based bonus).

The Company has no other arrangement with regard to the remuneration of its existing directors and officers aside from the compensation received as herein stated.

Compensation of Directors

Section 9 of Article IV of the By-laws provides:

"Section 9 - Each director shall be entitled to receive from the Corporation, pursuant to a resolution of the Board of Directors, fees and other compensation for his services as director. The Board of Directors shall have the sole authority to determine the amount, form and structure of the fees and other compensation of the directors. In no case shall the total yearly compensation of directors exceed five percent (5%) of the net income before income tax of the Corporation during the preceding year. (as amended on February 23, 2011.)

x x x

The Chairman of the Board shall receive such remuneration as may be fixed by the Board of Directors each year, in addition to the per diem and compensation that each Director may be entitled to receive. (as amended on February 23, 2011.)"

i. Standard arrangement

During the 2008 annual stockholders' meeting, the stockholders ratified the resolution fixing the remuneration of non-executive directors which the Board approved at its meeting on April 30, 2008, as follows:

a. For each Director – ₱100,000.00 per diem per Board meeting actually attended;

b. For each Board Committee member – ₱20,000.00 per diem per Committee meeting actually attended.

The executives who are members of the Board of the Company do not receive per diem. Their compensation, as executives of the Company, is included in the compensation table indicated above.

ii. Other arrangement

None of the directors, in their personal capacity, has been contracted and compensated by the Company for services other than those provided as a director.

The Company has no other arrangement with regard to the remuneration of its existing directors and officers aside from the compensation received as herein stated.

Employment contracts and termination of employment and change-in-control arrangements

The above named executive officers are covered by letters of appointment stating their respective job functionalities, among others.

Warrants and options outstanding, repricing

The company has not offered any stock options, warrants or rights to its employees.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Security ownership of certain record and beneficial owners (of more than 5%) as of January 31, 2015.

Title of Class	Name, address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent of outstanding Shares
Preferred	Ayala Corporation[4] 34/F Tower One & Exchange Plaza, Ayala Triangle, Ayala Ave., Makati City	Ayala Corporation[5]	Filipino	1,064,899,372	33.7324%
Common				180,492	0.0057%
Common	AYC Holdings, Ltd.[6] 33/F Tower One & Exchange Plaza, Ayala Triangle, Ayala Ave., Makati City	AYC Holdings, Ltd.[7]	BVI	945,537,373	29.9515%
Common	PCD Nominee Corporation (Filipino)[8] 37/F Tower One, The Enterprise Center, 6766 Ayala Avenue cor. Paseo de Roxas, Makati City	PCD participants acting for themselves or for their customers[9]	Filipino	288,674,081	9.1442%
Common	PCD Nominee Corporation (Filipino)[5] 37/F Tower One, The Enterprise Center, 6766 Ayala	Resins, Inc.[10]	Filipino	239,412,304	7.5838%

[4] The Chairman of Ayala Corporation (AC), Jaime Augusto Zobel de Ayala, is the Chairman of the Company.

[5] The Board of Directors of AC has the power to decide how AC's shares in IMI are to be voted. Mr. Jaime Augusto Zobel de Ayala has been named and appointed to exercise the voting power.

[6] AYC Holdings, Ltd. (AYC) is a stockholder of the Company.

[7] The Board of Directors of AYC has the power to decide how AYC's shares in IMI are to be voted. Mr. Jaime Augusto Zobel de Ayala has been named and appointed to exercise the voting power.

[8] The PCD is not related to the Company.

[9] Each beneficial owner of shares through a PCD participant is the beneficial owner to the extent of the number of shares in his account with the PCD participant. Aside from BPI Securities Corporation where the 239,412,304 shares of Resins, Inc. is lodged, there is no other PCD participant handling 5% or more of the outstanding voting shares of the Company.

[10] Resins, Inc. (Resins) is a customer of a participant of PCD. The Board of Directors of Resins has the power to decide how Resins shares in IMI are to be voted. Mr. Jose Ignacio A. Carlos is usually appointed to exercise the voting power.

	Avenue cor. Paseo de Roxas, Makati City				
Preferred	Resins, Inc.[11] E. Rodriguez Ave., Pasig City	Resins, Inc.[7]	Filipino	222,222,107	7.0393%
Common	EPIQ NV[12] Transportstraat 1, 3980 Tessenderlo, Belgium	EPIQ NV[13]	Belgian	200,000,000	6.3353%

1) Security ownership of directors and management as of January 31, 2015.

Title of Class	**Name of Beneficial Owner**	**Amount and Nature of Beneficial Ownership**		**Citizenship**	**Percent of All Class**
Directors					
Common	Jaime Augusto Zobel de Ayala	100	(direct)	Filipino	0.0000%
Common	Fernando Zobel de Ayala	100	(direct)	Filipino	0.0000%
Common	Delfin L. Lazaro	100	(direct)	Filipino	0.0000%
Common	Arthur R. Tan	20,123,552	(direct & indirect)	Filipino	0.6374%
Common	Rafael Ma. C. Romualdez	115	(direct)	Filipino	0.0000%
Common	Jose Ignacio A. Carlos	115	(direct)	Filipino	0.0000%
Common	Edgar O. Chua	100	(direct)	Filipino	0.0000%
Common	Delfin C. Gonzalez, Jr.	100	(direct)	Filipino	0.0000%
Common	Hiroshi Nishimura	600,115	(direct & indirect)	Japanese	0.0190%
Common	Alelie T. Funcell	115	(direct)	Filipino	0.0000%
Common	John Eric T. Francia	100	(direct)	Filipino	0.0000%
CEO and Most Highly Compensated Officers					
Common	Arthur R. Tan	20,123,552	(direct & indirect)	Filipino	0.6374%
Common	Gilles Bernard	1,280,475	(indirect)	French	0.0406%
Common	Linardo Z. Lopez	3,822,525	(direct & indirect)	Filipino	0.1211%
Common	Anthony Raymond P. Rodriquez	172,561	(direct & indirect)	Filipino	0.0055%
Common	Jerome S. Tan	3,241,033	(indirect)	Singaporean	0.1027%
Other Executive Officers					
Common	Solomon M. Hermosura	320,115	(direct & indirect)	Filipino	0.0101%
Common	Nimfa Ambrosia L. Perez-Paras	0		Filipino	0.0000%
All Directors and Officers as a group		**29,561,321**			**0.9364%**

None of the members of the Company's directors and management owns 2.0% or more of the outstanding capital stock of the Company.

The Company knows of no person holding more than 5% of common shares under a voting trust or similar agreement.

No change of control in the Company has occurred since the beginning of its last fiscal year.

As of December 2014, 19.33% of IMI's common shares were owned by the public.

[11] Resins is not related to the Company.
[12] EPIQ NV is a stockholder of the Company.
[13] The Board of Directors of EPIQ NV has the power to decide how EPIQ NV shares in IMI are to be voted.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company and its subsidiaries, in their regular conduct of business, have entered into transactions with associates and other related parties principally consisting of advances and reimbursement of expenses, and sales and purchases of goods on an arm's length basis and at current market prices at the time of the transactions.

No other transaction was undertaken by the Company in which any director or executive officer was involved or had a direct or indirect material interest.

The Company has not received any complaint regarding related-party transactions.

PART IV – CORPORATE GOVERNANCE

Section deleted as per SEC Memorandum Circular No. 5, series of 2013, issued last March 20, 2013. Please refer to attached Annual Corporate Governance Report (Exhibit 6).

PART V - EXHIBITS AND SCHEDULES

Exhibit 1: 2014 Audited Consolidated Financial Statements, Integrated Micro-Electronics, Inc. and Subsidiaries

Statement of Management's Responsibility for the Financial Statements
Report of Independent Auditors
Consolidated Balance Sheets as of December 31, 2014 and 2013
Consolidated Statements of Income for the Years ended December 31, 2014, 2013 and 2012
Consolidated Statements of Comprehensive Income for the Years ended December 31, 2014, 2013 and 2012
Consolidated Statements of Changes in Equity for the Years Ended December 31, 2014, 2013 and 2012
Consolidated Statements of Cash Flows for the Years Ended December 31, 2014, 2013 and 2012
Notes to Consolidated Financial Statements

Exhibit 2: Supplementary Schedules

Report of Independent Public Accountant on Supplementary Schedules

A. Financial Assets
B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates)
C. Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements
D. Intangible Assets – Other Assets
E. Long-Term Debt
F. Indebtedness to Related Parties (Long-term Loans from Related Companies)
G. Guarantees of Securities of Other Issuers
H. Capital Stock

Reconciliation of Retained Earnings Available For Dividend Declaration

Schedule of Financial Ratios

Map Showing the Relationships between and Among the Companies in the Group, its Ultimate Parent Company and Co-Subsidiaries

Schedule of All Effective Standards and Interpretations under Philippine Financial Reporting Standards as of December 31, 2014

2014 Audited Annual Financial Statements of Significant Foreign Subsidiaries

Exhibit 3: IMI International (Singapore) Pte Ltd

Exhibit 4: Speedy-Tech Electronics Ltd and its subsidiaries

Exhibit 5: Cooperatief IMI Europe U.A. and Subsidiaries

Reports on SEC Form 17-C

Reports on SEC Form 17-C were filed during the last six month period covered by this report and are listed below:

Date	Particulars
August 27, 2014	Sale of Property in Singapore
August 28, 2014	Certificate of Attendance of BOD to DCGSS
September 26, 2014	News Article Clarication (Inquirer.Net)
October 1, 2014	IMI's Investor's Briefing
October 8, 2014	News Article Clarification (Manila Standard Today: Internet Edition)
October 27, 2014	News Article Clarification (Business World Online News)
November 24, 2014	IMI's Investor's Briefing
December 1, 2014	IMI raises Php1,612.50 million through a public offering of primary common shares
December 5, 2014	IMI Completes Public Offering of Shares
December 23, 2014	Completion of Sale of Property in Singapore
January 5, 2015	Acquisition of Shares of Stock of PSi Technologies, Inc.
January 8, 2015	Consolidated Changes in the ACGR 2014
January 30, 2015	2014 Annual Summary Report on the Application of Proceeds from the Initial Public Offering (IPO)
February 10, 2015	IMI's Investor's Briefing
February 16, 2015	Press Release on "IMI's Performance in FY 2014"
February 20, 2015	IMI's Update to Annual Corporate Governance Report

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on April 7, 2015.

By:

____________________________	____________________________
Jaime Augusto Zobel de Ayala Chairman of the Board	Arthur R. Tan President and Chief Executive Officer
____________________________	____________________________
Jerome S. Tan Chief Finance Officer	Solomon M. Hermosura Corporate Secretary
____________________________	
Jaime G. Sanchez Deputy CFO and Group Controller	

SUBSCRIBED AND SWORN to before me this _____ day of April 2015, affiants exhibiting to me their respective passports as follows:

	Passport No.	Date Of Issue	Place of Issue
Jaime Augusto Zobel de Ayala	EB1548914	Dec. 13, 2010	Manila City
Arthur R. Tan	EB9832108	Dec. 17, 2013	Manila City
Jerome S. Tan	E2068508C	Sep. 21, 2010	Singapore
Solomon M. Hermosura	EB2913409	Jul. 5, 2011	Manila City
Jaime G. Sanchez	EB4408073	Jan. 10, 2012	Batangas City

Doc. No. _____
Page No. _____
Book No. _____
Series of 2015.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on April 7, 2015.

By:

Jaime Augusto Zobel de Ayala
Chairman of the Board

Arthur R. Tan
President and Chief Executive Officer

Jerome S. Tan
Chief Finance Officer

Solomon M. Hermosura
Corporate Secretary

Jaime G. Sanchez
Deputy CFO and Group Controller

SUBSCRIBED AND SWORN to before me this APR 07 2015 day of April 2015, affiants exhibiting to me their respective passports as follows:

	Passport No.	Date Of Issue	Place of Issue
Jaime Augusto Zobel de Ayala	EB1548914	Dec. 13, 2010	Manila City
Arthur R. Tan	EB9832108	Dec. 17, 2013	Manila City
Jerome S. Tan	E2068508C	Sep. 21, 2010	Singapore
Solomon M. Hermosura	EB2913409	Jul. 5, 2011	Manila City
Jaime G. Sanchez	EB4408073	Jan. 10, 2012	Batangas City

Doc. No. 101
Page No. 22
Book No. IV
Series of 2015.

Notarial DST pursuant to Sec. 188 of the Tax Code affixed on Notary Public's copy.

SANDRA A. LUNA-ARIAS
NOTARY PUBLIC
ROLL NO. 55755
MAKATI CITY, PHILIPPINES

SANDRA A. LUNA-ARIAS
Notary Public - Makati City
Appt. No. 266 until December 31, 2016
Attorney's Roll No. 55755
PTR No. 4748077MC; 01-05-2015; Makati City
IBP Lifetime Roll No. 010328
MCLE Compliance No. V-0004781; 12/03/2014
3rd Floor, Tower One & Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines

EXHIBIT 1

2014 Audited Consolidated Financial Statements, Integrated Micro-Electronics, Inc. and Subsidiaries

Integrated Microelectronics, Inc.
North Science Avenue
Special Export Processing Zone, Laguna Technopark
Biñan Laguna 4024 Philippines

Tel (63 49) 541-1015 to 20
Fax (63 49) 541 0013
www.global-imi.com

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Integrated Micro-Electronics, Inc. (Parent Company) and its subsidiaries (collectively referred to as the Group) is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2014 and 2013, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors of the Parent Company reviews and approves the consolidated financial statements and submits the same to the stockholders of the Parent Company.

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders for the period December 31, 2014 and 2013, has examined the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders of the Parent Company, has expressed its opinion on the fairness of presentation upon completion of such examination.

JAIME AUGUSTO ZOBEL DE AYALA
Chairman, Board of Directors

ARTHUR R. TAN
President & Chief Executive Officer

JEROME S. TAN
Chief Finance Officer

SUBSCRIBED AND SWORN to before me this FEB 17 2015 at **MAKATI CITY**, affiants exhibiting to me their respective Passports, to wit:

Name	Passport No.	Date & Place of Issue
Jaime Augusto Zobel de Ayala	EB1548914	13 December 2010 – Manila
Arthur R. Tan	EB9832108	17 December 2013 - Manila
Jerome S. Tan	E2068508C	21 September 2010 - Singapore

Doc. No. 4 ;
Page No. 16 ;
Book No. IV ;
Series of 2015.

Notarial DST pursuant to
Sec. 188 of the Tax Code
affixed on Notary Public's copy.

VERA M. DE GUZMAN-OCFEMIA
NOTARY PUBLIC
ROLL NO. 55764
MAKATI CITY, PHILIPPINES

VERA M. DE GUZMAN-OCFEMIA
Notary Public - Makati City
Appt. No. M285 until December 31, 2016
Attorney's Roll No. 55764
PTR No. 4748072MC; 01-05-2015; Makati City
IBP Lifetime Roll No. 0012406
MCLE Compliance No. V-0004769; 12/03/2014
3rd Floor, Tower One & Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines

Integrated Micro-Electronics, Inc. and Subsidiaries

Consolidated Financial Statements
December 31, 2014 and 2013
and Years Ended December 31, 2014, 2013 and 2012

and

Independent Auditors' Report

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A member firm of Ernst & Young Global Limited

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Integrated Micro-Electronics, Inc.

We have audited the accompanying consolidated financial statements of Integrated Micro-Electronics, Inc. and Subsidiaries, which comprise the consolidated balance sheets as at December 31, 2014 and 2013, and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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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Building a better
working world

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Integrated Micro-Electronics, Inc. and Subsidiaries as at December 31, 2014 and 2013, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2014, in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Arnel F. De Jesus
Partner
CPA Certificate No. 43285
SEC Accreditation No. 0075-AR-3 (Group A),
February 14, 2013, valid until February 13, 2016
Tax Identification No. 152-884-385
BIR Accreditation No. 08-001998-15-2012,
June 19, 2012, valid until June 18, 2015
PTR No. 4751272, January 5, 2015, Makati City

February 17, 2015

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31	
	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**$117,625,491**	$49,042,599
Receivables - net (Note 6)	**195,122,068**	178,464,742
Inventories (Note 7)	**91,389,469**	94,135,608
Other current assets (Note 8)	**11,871,721**	16,619,969
Total Current Assets	**416,008,749**	338,262,918
Noncurrent Assets		
Property, plant and equipment - net (Note 9)	**81,687,930**	85,654,052
Goodwill (Note 10)	**46,876,213**	54,355,193
Intangible assets (Note 11)	**4,002,745**	4,861,730
Available-for-sale financial assets (Note 12)	**522,361**	1,867,094
Deferred tax assets (Note 23)	**1,731,656**	644,543
Other noncurrent assets (Note 13)	**1,877,753**	2,583,286
Total Noncurrent Assets	**136,698,658**	149,965,898
	$552,707,407	$488,228,816
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 14)	**$182,087,233**	$171,054,574
Trust receipts and loans payable (Note 15)	**52,094,452**	45,653,865
Current portion of long-term debt (Note 16)	**2,800,640**	2,903,408
Income tax payable	**3,651,669**	1,649,533
Derivative liabilities (Note 31)	**–**	40,606
Total Current Liabilities	**240,633,994**	221,301,986
Noncurrent Liabilities		
Noncurrent portion of:		
Long-term debt (Note 16)	**57,298,750**	61,699,753
Obligation under finance lease (Note 28)	**2,257,583**	2,977,968
Deferred revenue (Note 17)	**1,442,853**	1,742,329
Net retirement liabilities (Note 25)	**4,711,551**	6,742,808
Deferred tax liabilities (Note 23)	**1,434,399**	3,091,890
Accrued rent	**480,695**	443,027
Other noncurrent liabilities	**181,917**	183,555
Total Noncurrent Liabilities	**67,807,748**	76,881,330
Total Liabilities	**308,441,742**	298,183,316

(Forward)

	December 31	
	2014	2013
EQUITY (Note 18)		
Equity Attributable to Equity Holders of the Parent Company		
Capital stock-common	**$34,876,616**	$30,016,551
Capital stock-preferred	**26,601,155**	26,601,155
Subscribed capital stock	**1,797,638**	1,229,926
Additional paid-in capital	**80,480,981**	51,263,933
Subscriptions receivable	**(12,906,784)**	(9,590,746)
Retained earnings:		
Appropriated for expansion	**20,660,981**	20,660,981
Unappropriated	**109,481,277**	83,503,457
Treasury stock	**(1,012,586)**	(1,012,585)
Reserve for fluctuation on available-for-sale financial assets	**184,119**	189,601
Cumulative translation adjustment	**(10,709,346)**	(1,425,142)
Other comprehensive loss	**(5,573,564)**	(8,958,073)
Other reserves	**170,714**	170,714
	244,051,201	192,649,772
Equity Attributable to Non-controlling Interests in Consolidated Subsidiaries	**214,464**	(2,604,272)
Total Equity	**244,265,665**	190,045,500
	$552,707,407	$488,228,816

See accompanying Notes to Consolidated Financial Statements.

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2014	2013	2012
REVENUES			
Sale of goods	**$746,158,727**	$670,772,413	$590,363,704
Sale of services	**98,315,342**	74,259,450	71,486,018
	844,474,069	745,031,863	661,849,722
COST OF SALES (Note 19)			
Cost of goods sold	**664,495,465**	607,557,635	541,811,352
Cost of services	**86,045,599**	69,545,328	63,102,067
	750,541,064	677,102,963	604,913,419
GROSS PROFIT	**93,933,005**	67,928,900	56,936,303
OPERATING EXPENSES (Note 20)	**(64,232,479)**	(55,794,676)	(49,523,632)
OTHERS - Net			
Gain on sale and retirement of property, plant and equipment - net (Note 9)	**14,506,946**	125,172	132,752
Impairment loss on goodwill (Note 10)	**(7,478,980)**	–	–
Interest expense and bank charges (Note 22)	**(2,814,803)**	(2,879,941)	(3,021,473)
Rental income (Note 28)	**1,262,717**	1,077,971	565,434
Gains on insurance claims (Note 7)	**334,695**	–	–
Interest income (Note 5)	**196,271**	218,577	267,092
Foreign exchange gains (losses) - net	**36,401**	1,430,757	(106,197)
Miscellaneous income (loss) - net	**(552,482)**	1,616,559	(358,543)
	5,490,765	1,589,095	(2,520,935)
INCOME BEFORE INCOME TAX	**35,191,291**	13,723,319	4,891,736
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 23)			
Current	**8,927,759**	5,408,640	4,687,578
Deferred	**(2,727,851)**	(881,359)	(728,268)
	6,199,908	4,527,281	3,959,310
NET INCOME	**$28,991,383**	$9,196,038	$932,426
Net Income (Loss) Attributable to:			
Equity holders of the Parent Company	**$29,117,024**	$10,472,995	$5,584,613
Non-controlling interests	**(125,641)**	(1,276,957)	(4,652,187)
	$28,991,383	$9,196,038	$932,426
Earnings Per Share (Note 24)			
Basic and diluted	**$0.017**	$0.006	$0.002

See accompanying Notes to Consolidated Financial Statements.

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2014	2013	2012
NET INCOME FOR THE YEAR	**$28,991,383**	$9,196,038	$932,426
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences arising from translation of foreign operations	**(9,284,204)**	878,397	3,739,280
Fair value changes on available-for-sale financial assets	**(5,482)**	(8,293)	53,827
	(9,289,686)	870,104	3,793,107
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gains (losses) on defined benefit plans (Note 25)	**3,384,509**	(4,339,837)	1,593,523
	(5,905,177)	(3,469,733)	5,386,630
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**$23,086,206**	$5,726,305	$6,319,056
Total Comprehensive Income (Loss) Attributable to:			
Equity holders of the Parent Company	**$23,211,847**	$7,003,262	$10,971,243
Non-controlling interests	**(125,641)**	(1,276,957)	(4,652,187)
	$23,086,206	$5,726,305	$6,319,056

See accompanying Notes to Consolidated Financial Statements.

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 and 2012

	Attributable to Equity Holders of the Parent Company													
	Capital Stock - Common (Note 18)	Capital Stock - Preferred (Note 18)	Subscribed Capital Stock (Note 18)	Additional Paid-in Capital	Subscriptions Receivable (Note 18)	Retained Earnings Appropriated for Expansion (Note 18)	Retained Earnings Unappropriated (Note 18)	Treasury Stock	Reserve for Fluctuation on Available-for-Sale Financial Assets	Cumulative Translation Adjustment	Other Comprehensive Loss (Note 25)	Other Reserves	Attributable to Non-controlling Interests	Total
Balances at January 1, 2014	$30,016,551	$26,601,155	$1,229,926	$51,263,933	($9,590,746)	$20,660,981	$83,503,457	($1,012,585)	$189,601	($1,425,142)	($8,958,073)	$170,714	($2,604,272)	$190,045,500
Issued shares during the year (Note 18)	4,860,065	–	(70,580)	31,131,655	–	–	–	–	–	–	–	–	–	35,921,140
Subscriptions during the year (Notes 18 and 26)	–	–	708,590	3,479,175	(4,187,765)	–	–	–	–	–	–	–	–	–
Transaction costs on shares issuance (Note 18)	–	–	–	(1,502,981)	–	–	–	–	–	–	–	–	–	(1,502,981)
Cost of share-based payments (Note 26)	–	–	–	165,006	–	–	–	–	–	–	–	–	–	165,006
Accretion of subscriptions receivable (Note 18)	–	–	–	79,418	(79,418)	–	–	–	–	–	–	–	–	–
Collections on subscriptions (Note 18)	–	–	–	–	328,621	–	–	–	–	–	–	–	–	328,621
Forfeitures during the year (Note 18)	–	–	(70,298)	(552,226)	622,524	–	–	–	–	–	–	–	–	–
Acquisition of non-controlling interests (Note 2)	–	–	–	(3,582,999)	–	–	–	–	–	–	–	–	2,944,377	(638,622)
Cash dividends (Note 18)	–	–	–	–	–	–	(3,139,204)	–	–	–	–	–	–	(3,139,204)
Acquisition of treasury stock	–	–	–	–	–	–	–	(1)	–	–	–	–	–	(1)
	34,876,616	26,601,155	1,797,638	80,480,981	(12,906,784)	20,660,981	80,364,253	(1,012,586)	189,601	(1,425,142)	(8,958,073)	170,714	340,105	221,179,459
Net income (loss)	–	–	–	–	–	–	29,117,024	–	–	–	–	–	(125,641)	28,991,383
Other comprehensive income (loss)	–	–	–	–	–	–	–	–	(5,482)	(9,284,204)	3,384,509	–	–	(5,905,177)
Total comprehensive income (loss)	–	–	–	–	–	–	29,117,024	–	(5,482)	(9,284,204)	3,384,509	–	(125,641)	23,086,206
Balances at December 31, 2014	$34,876,616	$26,601,155	$1,797,638	$80,480,981	($12,906,784)	$20,660,981	$109,481,277	($1,012,586)	$184,119	($10,709,346)	($5,573,564)	$170,714	$214,464	$244,265,665

	Attributable to Equity Holders of the Parent Company													
	Capital Stock - Common (Note 18)	Capital Stock - Preferred (Note 18)	Subscribed Capital Stock (Note 18)	Additional Paid-in Capital	Subscriptions Receivable (Note 18)	Retained Earnings Appropriated for Expansion (Note 18)	Retained Earnings Unappropriated (Note 18)	Treasury Stock	Reserve for Fluctuation on Available-for-Sale Financial Assets	Cumulative Translation Adjustment	Other Comprehensive Loss (Note 25)	Other Reserves	Attributable to Non-controlling Interests	Total
Balances at January 1, 2013	$30,011,256	$26,601,155	$1,300,851	$58,558,091	($9,650,842)	$20,660,981	$73,901,551	($1,012,585)	$197,894	($2,303,539)	($4,618,236)	$170,714	($5,867,862)	$187,949,429
Acquisition of non-controlling interests (Note 2)	–	–	–	(7,522,432)	–	–	–	–	–	–	–	–	4,540,547	(2,981,885)
Issued shares during the year (Note 18)	5,295	–	(5,295)	–	–	–	–	–	–	–	–	–	–	–
Cost of share-based payments (Note 26)	–	–	–	14,852	–	–	–	–	–	–	–	–	–	14,852
Accretion of subscriptions receivable (Note 18)	–	–	–	795,542	(795,542)	–	–	–	–	–	–	–	–	–
Collections on subscriptions (Note 18)	–	–	–	–	207,888	–	–	–	–	–	–	–	–	207,888
Forfeitures during the year (Note 18)	–	–	(65,630)	(582,120)	647,750	–	–	–	–	–	–	–	–	–
Cash dividends (Note 18)	–	–	–	–	–	–	(871,089)	–	–	–	–	–	–	(871,089)
	30,016,551	26,601,155	1,229,926	51,263,933	(9,590,746)	20,660,981	73,030,462	(1,012,585)	197,894	(2,303,539)	(4,618,236)	170,714	(1,327,315)	184,319,195
Net income (loss)	–	–	–	–	–	–	10,472,995	–	–	–	–	–	(1,276,957)	9,196,038
Other comprehensive income (loss)	–	–	–	–	–	–	–	–	(8,293)	878,397	(4,339,837)	–	–	(3,469,733)
Total comprehensive income (loss)	–	–	–	–	–	–	10,472,995	–	(8,293)	878,397	(4,339,837)	–	(1,276,957)	5,726,305
Balances at December 31, 2013	$30,016,551	$26,601,155	$1,229,926	$51,263,933	($9,590,746)	$20,660,981	$83,503,457	($1,012,585)	$189,601	($1,425,142)	($8,958,073)	$170,714	($2,604,272)	$190,045,500

	Attributable to Equity Holders of the Parent Company													
	Capital Stock - Common (Note 18)	Capital Stock - Preferred (Note 18)	Subscribed Capital Stock (Note 18)	Additional Paid-in Capital	Subscriptions Receivable (Note 18)	Retained Earnings Appropriated for Expansion (Note 18)	Retained Earnings Unappropriated (Note 18)	Treasury Stock	Reserve for Fluctuation on Available-for-Sale Financial Assets	Cumulative Translation Adjustment	Other Comprehensive Loss (Note 25)	Other Reserves	Attributable to Non-controlling Interests	Total
Balances at January 1, 2012	$24,932,075	$26,601,155	$6,506,970	$59,085,110	($10,395,200)	$30,660,981	$60,982,435	($1,012,585)	$144,067	($6,042,819)	($6,211,759)	$170,714	($1,200,211)	$184,220,933
Issued shares during the year (Note 18)	5,079,181	–	(5,079,181)	–	–	–	–	–	–	–	–	–	–	–
Cost of share-based payments (Note 26)	–	–	–	70,490	–	–	–	–	–	–	–	–	–	70,490
Accretion of subscriptions receivable (Note 18)	–	–	–	676,304	(676,304)	–	–	–	–	–	–	–	–	–
Collections on subscriptions (Note 18)	–	–	–	–	19,911	–	–	–	–	–	–	–	–	19,911
Forfeitures during the year (Note 18)	–	–	(126,938)	(1,273,813)	1,400,751	–	–	–	–	–	–	–	–	–
Reversal of appropriation (Note 18)	–	–	–	–	–	(10,000,000)	10,000,000	–	–	–	–	–	–	–
Cash dividends (Note 18)	–	–	–	–	–	–	(2,665,497)	–	–	–	–	–	(15,464)	(2,680,961)
	30,011,256	26,601,155	1,300,851	58,558,091	(9,650,842)	20,660,981	68,316,938	(1,012,585)	144,067	(6,042,819)	(6,211,759)	170,714	(1,215,675)	181,630,373
Net income (loss)	–	–	–	–	–	–	5,584,613	–	–	–	–	–	(4,652,187)	932,426
Other comprehensive income	–	–	–	–	–	–	–	–	53,827	3,739,280	1,593,523	–	–	5,386,630
Total comprehensive income (loss)	–	–	–	–	–	–	5,584,613	–	53,827	3,739,280	1,593,523	–	(4,652,187)	6,319,056
Balances at December 31, 2012	$30,011,256	$26,601,155	$1,300,851	$58,558,091	($9,650,842)	$20,660,981	$73,901,551	($1,012,585)	$197,894	($2,303,539)	($4,618,236)	$170,714	($5,867,862)	$187,949,429

See accompanying Notes to Consolidated Financial Statements.

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**$35,191,291**	$13,723,319	$4,891,736
Adjustments for:			
Depreciation of property, plant and equipment (Note 9)	**20,859,849**	21,070,099	23,319,434
Gain on sale and retirement of property, plant and equipment (Note 9)	**(14,506,946)**	(125,172)	(132,752)
Impairment loss on goodwill (Note 10)	**7,478,980**	–	–
Provision for (reversal of):			
Allowance for inventory obsolescence (Notes 7 and 21)	**3,737,353**	2,123,145	282,948
Impairment on available-for-sale financial assets (Note 12)	**1,753,589**	–	–
Doubtful accounts (Notes 6 and 21)	**(899,304)**	(103,124)	441,498
Allowance for decline in value of inventories (Notes 7 and 21)	**84,267**	(107,131)	–
Impairment on property, plant and equipment (Note 9)	**–**	4,991	225,521
Restructuring	**–**	–	1,896,238
Interest expense (Note 22)	**2,739,455**	2,743,244	2,939,852
Amortization of:			
Intangible assets (Note 11)	**2,120,434**	1,789,772	2,057,626
Deferred revenue (Note 29)	**(299,476)**	(288,689)	(260,829)
Net retirement expense (Note 25)	**2,061,727**	1,682,245	2,199,943
Write-off of:			
Available-for-sale financial assets (Note 12)	**1,350,368**	–	–
Receivables	**83,562**	–	–
Unrealized foreign exchange losses (gains) - net	**385,512**	(878,010)	1,315,751
Interest income (Note 5)	**(196,271)**	(218,577)	(267,092)
Cost of share-based payments (Note 26)	**165,006**	14,852	70,490
Loss (gain) on derivative transactions (Note 31)	**35,096**	479,062	(1,661,641)
Operating income before working capital changes	**62,144,492**	41,910,026	37,318,723
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	**(21,189,248)**	(26,275,532)	(16,858,982)
Inventories	**(3,036,540)**	(12,648,183)	(2,591,634)
Other current assets	**4,748,248**	(9,194,057)	1,428,690
Noncurrent receivables	**–**	–	213,577
Increase (decrease) in:			
Accounts payable and accrued expenses	**7,529,186**	30,429,189	(3,044,616)
Other noncurrent liabilities	**(1,638)**	96,946	(144,095)
Accrued rent	**37,668**	(142,381)	(328,280)
Net cash generated from operations	**50,232,168**	24,176,008	15,993,383
Income tax paid	**(6,925,623)**	(5,670,217)	(4,463,203)
Interest paid	**(2,761,850)**	(3,376,928)	(2,510,331)
Interest received	**288,192**	522,183	238,560
Net cash provided by operating activities	**40,832,887**	15,651,046	9,258,409

(Forward)

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property, plant and equipment (Notes 9 and 33)	**($24,213,138)**	($17,819,927)	($16,026,776)
Intangible assets (Note 11)	**(1,287,611)**	(776,158)	(525,070)
Available-for-sale financial assets (Note 12)	**–**	(350,369)	(1,000,000)
Proceeds from sale and retirement of property, plant and equipment (Note 9)	**19,193,171**	2,868,782	3,710,103
Decrease (increase) in other noncurrent assets	**705,533**	(841,810)	(288,683)
Net cash used in investing activities	**(5,602,045)**	(16,919,482)	(14,130,426)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from shares issuance (Notes 5 and 18)	**35,921,140**	–	–
Availments of loans	**24,299,485**	6,134,943	43,697,044
Payments of:			
Loans payable	**(16,301,258)**	(4,468,943)	(32,780,287)
Long-term debt	**(2,903,578)**	(2,656,400)	–
Decrease in obligations under finance lease	**(1,452,792)**	(523,260)	(800,671)
Dividends paid to equity holders of the Parent Company (Notes 14 and 18)	**(3,099,043)**	(2,661,415)	(2,468,881)
Transaction costs on shares issuance (Note 18)	**(1,502,981)**	–	–
Separation/benefits paid (Note 25)	**(662,992)**	(1,286,407)	(1,870,152)
Cash paid on acquisition of non-controlling interests (Note 2)	**(638,622)**	(124,875)	–
Collections of subscriptions receivable (Note 18)	**328,621**	207,888	19,911
Settlement of derivatives (Note 31)	**(75,702)**	(438,456)	1,568,981
Acquisition of treasury shares	**(1)**	–	–
Dividends paid to non-controlling interests	**–**	–	(15,464)
Net cash provided by (used in) financing activities	**33,912,277**	(5,816,925)	7,350,481
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	**(560,227)**	(68,422)	(351,262)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**68,582,892**	(7,153,783)	2,127,202
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**49,042,599**	56,196,382	54,069,180
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**$117,625,491**	$49,042,599	$56,196,382

See accompanying Notes to Consolidated Financial Statements.

1. **Corporate Information**

Integrated Micro-Electronics, Inc. (the “Parent Company”), a stock corporation organized and registered under the laws of the Republic of the Philippines on August 8, 1980, has four wholly-owned subsidiaries, namely: IMI International (Singapore) Pte. Ltd. (IMI Singapore), IMI USA, Inc. (IMI USA), IMI Japan, Inc. (IMI Japan) and PSi Technologies, Inc. (PSi) (collectively referred to as the “Group”). The Parent Company is 50.92% owned by AYC Holdings, Ltd. (AYC), a corporation incorporated in the British Virgin Islands and a wholly-owned subsidiary of AC International Finance Ltd. under the umbrella of Ayala Corporation (AC), a corporation incorporated in the Republic of the Philippines and listed in the Philippine Stock Exchange (PSE). AC is 49.03% owned by Mermac, Inc., 10.18% owned by Mitsubishi Corporation and the rest by the public. The registered office address of the Parent Company is North Science Avenue, Laguna, Technopark, Biñan, Laguna.

The Parent Company was listed by way of introduction in the PSE on January 21, 2010.It has completed its follow-on offering and listing of 215,000,000 common shares on December 5, 2014.

The Parent Company is registered with the Philippine Economic Zone Authority (PEZA) as an exporter of printed circuit board assembly (PCBA), flip chip assembly, box build sub-assembly, and enclosure system, and provider of electronics product design, research and development, product development outsourcing, and other electronic parts, among others. The Parent Company is also engaged in the business of providing test development and systems integration services and distributing related products and equipment and related services.

IMI Singapore was incorporated and is domiciled in Singapore. It is engaged in the procurement of raw materials, supplies and provision of customer services. Its wholly-owned subsidiary, Speedy-Tech Electronics Ltd. (STEL), was incorporated and is domiciled also in Singapore. STEL, on its own, has subsidiaries located in Hong Kong, People’s Republic of China (PRC), and Philippines. STEL and its subsidiaries (collectively referred to as “STEL Group”) are principally engaged in the provision of Electronic Manufacturing Services (EMS) and Power Electronics solutions to original equipment manufacturing (OEM) customers in the consumer electronics, computer peripherals/information technology, industrial equipment, telecommunications and medical device sectors.

On April 16, 2009, IMI Singapore established its Philippine Regional Operating Headquarters (“IMI International ROHQ” or “IMI ROHQ”). It serves as a supervisory, communications and coordinating center for the affiliates and subsidiaries of IMI Singapore.

On December 14, 2012, the Directors of STEL approved the assignment of assets and liabilities of its subsidiary, Speedy-Tech (Philippines), Inc. (STPH), to the Parent Company. On June 13, 2013, the Board of Directors (BOD) of the Parent Company authorized the transfer of all rights, title and ownership over all of the assets, and assumption of liabilities and obligations of STPH as of December 31, 2012. The Deed of Assignment was executed on July 30, 2013 (see Note 29).

On July 29, 2011, the Parent Company and EPIQ NV executed a Share Purchase Agreement (SPA) wherein EPIQ NV agreed to sell to Cooperatief IMI Europe U.A. (Cooperatief), an indirect subsidiary of the Parent Company, all of its shares in its subsidiaries, Integrated Micro-Electronics Bulgaria EOOD (formerly EPIQ Electronic Assembly EOOD) (IMI BG), Integrated Micro-Electronics Czech Republic s.r.o. (formerly EPIQ CZ s.r.o.) (IMI CZ) and Integrated Micro-

Electronics Mexico, S.A.P.I. de C.V. (formerly EPIQ MX, S.A.P.I de C.V.) (IMI MX) (collectively referred to as “IMI EU/MX Subsidiaries”) in exchange for €43.45 million ($59.77 million) consisting of the Parent Company’s 200 million common shares with a value of €24.37 million ($28.81 million), and €19.08 million ($27.32 million) to be paid by the Parent Company in cash, out of which €4.83 million ($6.92 million) will be paid upfront and the balance to be paid on a deferred basis.

The aggregate purchase consideration of €43.45 million is broken down into: (1) payment of approximately €11.73 million ($16.80 million) to EPIQ NV in consideration of assumption of the receivables of EPIQ NV from the IMI EU/MX Subsidiaries that was transferred to Cooperatief; and (2) payment of approximately €31.72 million ($39.32 million) to EPIQ NV for the purchase of equity share in the IMI EU/MX Subsidiaries.

IMI EU/MX Subsidiaries design and produce printed circuits and spray casting of plastics, and supply assembled and tested systems and sub-systems which include drive and control elements for automotive equipment, household appliances, industrial market and other applications with plastic parts and electronic components. IMI EU/MX Subsidiaries also provide engineering, research and development, and logistics management services.

IMI USA acts as direct support to the Group’s customers by providing program management, customer service, engineering development and prototype manufacturing services to both North American and European customers, especially for processes using direct die attach to various electronics substrates. It specializes in prototyping low to medium PCBA and sub-assembly and is at the forefront of technology with regard to precision assembly capabilities including, but not limited to, Surface Mount Technology (SMT), Chip on Flex, Chip on Board and Flip Chip on Flex. IMI USA is also engaged in engineering, design for manufacturing technology, advanced manufacturing process development, new product introduction (NPI), direct chip attach and small precision assemblies.

IMI Japan was registered and is domiciled in Japan to serve as IMI’s front-end design and product development and sales support center. IMI Japan was established to attract more Japanese OEMs to outsource their product development to IMI.

PSi is a power semiconductor assembly and test services (SATS) company serving niche markets in the global power semiconductor market. It provides comprehensive package design, assembly and test services for power semiconductors used in various electronic devices.

PSi owns 40% of PSiTech Realty, Inc. (PSiTech Realty), the holding company of Pacsem Realty, Inc. (Pacsem Realty), which is a real estate company that acquires, holds, develops and disposes any real estate or interest acquired.

On June 21, 2012, the Philippine Securities and Exchange Commission (SEC) approved the legal merger of PSi Technologies Laguna, Inc. and PSi, with the former as the absorbed entity and PSi as the surviving entity. On the same date, the respective BOD of PSi, Pacsem Realty and PSiTech Realty authorized the dissolution and liquidation of Pacsem Realty and PSiTech Realty by shortening their corporate life up to December 31, 2013, subject to the approval of the Philippine SEC. As of February 17, 2015, Pacsem Realty and PSiTech Realty are in the process of completing the Philippine SEC requirements for dissolution.

The consolidated financial statements as of December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014 were authorized for issue by the Parent Company's BOD on February 17, 2015.

2. Group Information

Information about Subsidiaries

The consolidated financial statements include the financial statements of the Parent Company and the following subsidiaries:

	Percentage of Ownership				
Subsidiary	**2014**	2013	2012	Country of Incorporation	Functional Currency
IMI Singapore	**100.00%**	100.00%	100.00%	Singapore	United States Dollar (USD)
IMI ROHQ	**100.00%**	100.00%	100.00%	Philippines	USD
STEL	**100.00%**	100.00%	100.00%	Singapore	USD
IMI (Chengdu) Ltd. (IMICD) [a]	**100.00%**	100.00%	100.00%	China	Renminbi (RMB)
Shenzhen Speedy-Tech Electronics Co., Ltd. (SZSTE)	**99.48%**	99.48%	99.48%	China	USD
Speedy-Tech Electronics (HK) Limited (STHK)	**100.00%**	100.00%	100.00%	Hong Kong	USD
Speedy-Tech Electronics (Chong Qing) Co. Ltd. (STCQ) [b]	**100.00%**	100.00%	100.00%	China	USD
Speedy-Tech Electronics (Jiaxing) Co., Ltd. (STJX)	**100.00%**	100.00%	100.00%	China	USD
STPH [c]	**100.00%**	100.00%	100.00%	Philippines	USD
Speedy-Tech Electronics, Inc.	**100.00%**	100.00%	100.00%	USA	USD
Monarch Elite Ltd. (Monarch)	**100.00%**	100.00%	100.00%	Hong Kong	USD
Cooperatief [d]	**100.00%**	100.00%	100.00%	Netherlands	Euro (EUR)
IMI BG	**100.00%**	100.00%	100.00%	Bulgaria	Bulgarian Lev (BGN)
Microenergia EOOD (Microenergia) [e]	**100.00%**	70.00%	70.00%	Bulgaria	BGN
IMI CZ	**100.00%**	100.00%	100.00%	Czech Republic	Czech Koruna (CZK)
IMI MX [f]	**100.00%**	100.00%	100.00%	Mexico	USD
Integrated Micro-Electronics Manufactura S.A.P.I de C.V.	**100.00%**	100.00%	100.00%	Mexico	Mexican Peso (MXP)
IMI France SAS (IMI France)	**100.00%**	100.00%	100.00%	France	EUR
IMI USA	**100.00%**	100.00%	100.00%	USA	USD
IMI Japan	**100.00%**	100.00%	100.00%	Japan	USD
PSi	**100.00%**	83.25%	55.78%	Philippines	USD
PSiTech Realty [g]	**40.00%**	33.30%	22.31%	Philippines	USD
Pacsem Realty [g]	**64.00%**	53.28%	35.70%	Philippines	USD

[a] *On August 1, 2014, IMI CD changed its functional currency from USD to RMB.*
[b] *On June 30, 2014, STEL's BOD passed a resolution to wind up STCQ.*
[c] *STPH's business operations were integrated as part of the Parent Company in 2013 (see Note 1). STPH is a dormant company.*
[d] *Cooperatief is 99% owned by Monarch and 1% owned by IMI Singapore.*
[e] *In October 2014, IMI BG acquired the remaining 30% ownership interest in Microenergia.*
[f] *On March 1, 2014, IMI MX changed its functional currency from MXN to USD.*
[g] *The percentage pertains to the indirect ownership of the Parent Company. On June 21, 2012, the respective BOD of PSi, PSiTech Realty and Pacsem Realty authorized the dissolution of PSiTech Realty and Pacsem Realty, subject to the Philippine SEC approval.*

Acquisition of Non-controlling Interests

Acquisition of additional interest in PSi

The Investors' Agreement (IA) entered into by the Parent Company and Narra Venture Capital II, LP (Narra VC) (collectively referred to as the "New Investors") with PSi Technologies Holdings, Inc. and Merrill Lynch Global Emerging Markets Partners, LLC (collectively referred to as the "Old Investors") on June 25, 2010, was amended on September 26, 2012 to allow the parties to respectively exercise their option rights without the need for third party valuation. Accordingly, a fixed price was established amounting to $150,000.

On January 9, 2013, pursuant to the second amendment to the Agreement, the exercise notice, which is one of the conditions for the completion of the sale and purchase of the Option Shares, was received by the parties. The sale and purchase transaction involving the Option Shares shall be deemed completed upon compliance of the rest of conditions set forth in the Agreement.

On March 12, 2013, the Deeds of Assignment have been executed and the stock certificates have been delivered. The exercise of the option rights increased the Parent Company's ownership interest in PSi from 55.78% to 83.25%.

Effective December 29, 2014, the Parent Company acquired the remaining 16.75% interest in PSi from the minority shareholders, Narra VC and Narra Associates II Limited, for a total consideration of $500,000. The purchase of the remaining minority shares resulted to full control of IMI in PSi.

Details of the transactions are as follows:

	2014	2013
Change in ownership interest	**83.25% to 100%**	55.78% to 83.25%
Non-controlling interests acquired	**($3,144,660)**	($4,540,547)
Consideration paid to non-controlling shareholders	**$500,000**	$124,875[a]
Value of the option exercised	**–**	2,857,010
Total consideration	**500,000**	2,981,885
Total amount recognized against "Additional paid-in capital" account within equity	**($3,644,660)**	($7,522,432)

[a] *Share of the Parent Company in the exercise price.*

Acquisition of additional interest in Microenergia
In October 2014, IMI BG acquired the remaining 30% ownership interest in Microenergia for a total consideration of $138,622.

The details of the transaction are as follow:

Non-controlling interest acquired	$200,283
Consideration paid to the non-controlling shareholder	(138,622)
Total amount recognized in "Additional paid-in capital" account within equity	$61,661

Material Partly-owned Subsidiary
PSi is the only subsidiary with non-controlling interests that is material to the Group. Financial information of PSi are provided below:

Proportion of equity interest held by non-controlling interests:

	2014*	2013	2012
Proportion of equity interest held by non-controlling interests	**–**	16.75%	44.22%
Accumulated balances of material non-controlling interests	**$–**	($2,921,102)	($5,550,643)
Loss allocated to material non-controlling interests	**($223,558)**	($1,297,486)	($4,666,461)

* *On December 29, 2014, IMI acquired the remaining 16.75% interest in PSi from the minority shareholders.*

The summarized financial information of PSi are provided below. These information are based on amounts before intercompany eliminations:

Summarized balance sheets as of December 31, 2014 and 2013:

	2014	2013
Current assets	**$13,472,592**	$13,549,353
Noncurrent assets	**5,906,025**	6,324,708
Current liabilities	**(35,486,721)**	(34,333,848)
Noncurrent liabilities	**(3,245,929)**	(3,496,747)
Total capital deficiency	**($19,354,033)**	($17,956,534)
Attributable to:		
Equity holders of the Parent Company	**($19,354,033)**	($15,035,432)
Non-controlling interests	**–**	(2,921,102)
	($19,354,033)	($17,956,534)

Summarized statements of comprehensive income for the years ended December 31, 2014, 2013 and 2012:

	2014	2013	2012
Revenues	**$44,932,489**	$43,084,648	$45,598,208
Cost of sales	**(43,029,890)**	(44,467,193)	(49,044,230)
Operating expenses	**(2,609,242)**	(3,625,734)	(5,860,537)
Other income (expenses)	**(506,887)**	174,751	(740,764)
Loss before income tax	**(1,213,530)**	(4,833,528)	(10,047,323)
Provision for income tax	**(121,146)**	(51,629)	(42,271)
Net loss for the year	**(1,334,676)**	(4,885,157)	(10,089,594)
Other comprehensive income (loss)	**(62,824)**	73,229	244,052
Total comprehensive loss	**($1,397,500)**	($4,811,928)	($9,845,542)
Attributable to:			
Equity holders of the Parent Company	**($1,173,942)**	($3,514,442)	($5,179,081)
Non-controlling interests	**(223,558)**	(1,297,486)	(4,666,461)
	($1,397,500)	($4,811,928)	($9,845,542)

Summarized statements of cash flows for the years ended December 31, 2014 and 2013:

	2014	2013	2012
Net cash provided by (used in) operating activities	**$2,044,784**	($3,795,318)	($6,886,515)
Net cash used in investing activities	**(1,747,891)**	(1,530,827)	(1,368,538)
Net cash provided by financing activities	**1,472,026**	4,255,025	6,163,471
Net increase (decrease) in cash and cash equivalents	**$1,768,919**	($1,071,120)	($2,091,582)

3. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation
The consolidated financial statements have been prepared under the historical cost basis, except for available-for-sale (AFS) financial assets and derivative financial instruments that have been measured at fair value. The consolidated financial statements are presented in USD, which is the functional currency of the Parent Company, and are rounded off to the nearest USD, except when otherwise indicated.

Statement of Compliance
The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as of December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014.

Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee if, and only if, the Parent Company has:

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

When the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Parent Company's voting rights and potential voting rights.

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. The financial statements of the subsidiaries are prepared for the same balance sheet date as the Parent Company, using consistent accounting policies. All intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Parent Company loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation adjustments recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the Parent Company's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Parent Company had directly disposed of the related assets and liabilities.

<u>Non-controlling Interests</u>
Non-controlling interests represent the portion of profit or loss and the net assets not held by the Parent Company and are presented separately in the consolidated statement of income, consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from equity attributable to the Parent Company.

<u>Changes in Accounting Policies and Disclosures</u>
New and amended standards and interpretation
The Group applied for the first time certain standards and interpretation, which are effective for annual periods beginning on or after January 1, 2014. Except when otherwise indicated, these standards and interpretation have no impact on the Group's financial position, financial performance and/or disclosures:

- Philippine Accounting Standards (PAS) 32 (Amendments), *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*

  These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively.

- PAS 36 (Amendments), *Impairment of Assets – Recoverable Amount Disclosures for Nonfinancial Assets*

  These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period.

- PAS 39 (Amendments), *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*

  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required.

- PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities* and PAS 27, *Separate Financial Statements* (Amendments) – *Investment Entities*

  These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss (FVPL). The amendments must be applied retrospectively, subject to certain transition relief.

- Philippine Interpretation of International Financial Reporting Interpretations Committee (IFRIC) 21, *Levies*

  Philippine Interpretation of IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for this interpretation.

<u>Standards Issued but not yet Effective</u>
The Group will adopt the following new and amended standards and interpretation when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards and interpretation to have significant impact on the consolidated financial statements.

Effective in 2015

- PAS 19 (Amendments), *Employee Benefits – Defined Benefit Plans: Employee Contributions* (effective for annual periods beginning on or after January 1, 2015 and are applied retrospectively)

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

- Annual Improvements to PFRSs (2010-2012 Cycle) (effective for annual periods beginning on or after January 1, 2015)

  These annual improvements include:

  - PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization*

    The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

  - PAS 24, *Related Party Disclosures – Key Management Personnel*

    The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

  - PFRS 2, *Share-based Payment – Definition of Vesting Condition*

    This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

    - A performance condition must contain a service condition.
    - A performance target must be met while the counterparty is rendering service.

  - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group.
  - A performance condition may be a market or non-market condition.
  - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

- PFRS 3, *Business Combinations – Accounting for Contingent Consideration in a Business Combination*

  The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at FVPL whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement*.

- PFRS 8, *Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*

  The amendments are applied retrospectively and clarify that:

  - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
  - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

- Annual Improvements to PFRSs (2011-2013 Cycle) (effective for annual periods beginning on or after January 1, 2015)

  These annual improvements include:

  - PAS 40, *Investment Property*

    The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

  - PFRS 3, *Business Combinations – Scope Exceptions for Joint Arrangements*

    The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

    - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
    - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

  - PFRS 13, *Fair Value Measurement – Portfolio Exception*

    The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39.

Effective in 2016

- PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets* (Amendments) – *Clarification of Acceptable Methods of Depreciation and Amortization* (effective for annual periods beginning on or after January 1, 2016 and are applied prospectively)

  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

- PAS 16, *Property, Plant and Equipment* and PAS 41, *Agriculture* (Amendments) – *Bearer Plants* (effective for annual periods beginning on or after January 1, 2016 and are applied retrospectively)

  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply.

- PAS 27 (Amendments), *Separate Financial Statements – Equity Method in Separate Financial Statements* (effective for annual periods beginning on or after January 1, 2016 and are applied retrospectively)

  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (effective for annual periods beginning on or after January 1, 2016 and are applied retrospectively)

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

- PFRS 11 (Amendments), *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations* (effective for annual periods beginning on or after January 1, 2016 and are applied prospectively)

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

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation.

- Annual Improvements to PFRSs (2012-2014 Cycle) (effective for annual periods beginning on or after January 1, 2016)

  These annual improvements include:

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

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

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

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

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

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

Effective in 2018

- PFRS 9, *Financial Instruments* (effective for annual periods beginning on or after January 1, 2018 and are applied retrospectively)

  In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The Group is currently assessing the impact of adopting this standard.

Interpretation whose effective date was deferred

- Philippine Interpretation of IFRIC 15, *Agreements for the Construction of Real Estate*

  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The Philippine SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

Standard issued by the IASB but not yet been adopted by the FRSC

- IFRS 15, *Revenue from Contracts with Customers*

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

  The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

The significant accounting policies that have been used in the preparation of the consolidated financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

<u>Current versus Noncurrent Classification</u>
The Group presents assets and liabilities in the consolidated balance sheet based on current or noncurrent classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the balance sheet date; or
- Cash or cash equivalent, unless restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for trading;
- It is due to be settled within twelve months after the balance sheet date; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the balance sheet date.

All other liabilities are classified as noncurrent.

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

Financial Instruments - Initial Recognition and Subsequent Measurement
Classification of financial instruments
Financial instruments within the scope of PAS 39 are classified as:

1. Financial assets and financial liabilities at FVPL;
2. Loans and receivables;
3. Held-to-maturity (HTM) investments;
4. AFS financial assets; and
5. Other financial liabilities.

The classification depends on the purpose for which the instruments were acquired and whether they are quoted in an active market. The Group determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates this designation at every balance sheet date.

The financial instruments of the Group as of December 31, 2014 and 2013 consist of loans and receivables, AFS financial assets, financial liability at FVPL and other financial liabilities.

Date of recognition of financial instruments
Financial instruments are recognized in the consolidated balance sheets when the Group becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, are done using trade date accounting. The Group follows the trade date accounting where an asset to be received and liability to be paid are recognized on the trade date and the derecognition of an asset that is sold and the recognition of a receivable from the buyer are likewise recognized on the trade date.

In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the “Day 1” difference amount.

Financial assets or financial liabilities at FVPL
Financial assets or financial liabilities at FVPL include derivatives, financial instruments held for trading and financial instruments designated upon initial recognition as at FVPL.

Financial instruments are classified as held for trading if they are entered into for the purpose of short-term profit-taking.

Derivatives, including separated embedded derivatives, are accounted for as financial assets or financial liabilities at FVPL, unless they are designated as effective hedging instruments or a financial guarantee contract. Where a contract contains one or more embedded derivatives, the hybrid contract may be designated as financial asset or liability at FVPL, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial instruments may be designated at initial recognition as financial assets or financial liabilities at FVPL if any of the following criteria is met:

1. The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the instrument or recognizing gains or losses on a different basis; or

2. The financial instrument is part of a group of financial instruments which is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management strategy; or
3. The financial instrument contains an embedded derivative that would need to be separately recorded.

Financial assets and financial liabilities at FVPL are subsequently measured at fair value. Changes in fair value of such assets or liabilities are accounted for in profit or loss.

The Group uses currency forwards to hedge its risks associated with foreign currency fluctuations. Such are accounted for as nonhedge derivatives.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met:

1. The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics of the host contract;
2. A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
3. The hybrid or combined instrument is not recognized at FVPL.

The Group assesses whether an embedded derivative is required to be separated from the host contract when the Group first becomes a party to the contract. Reassessment of embedded derivatives is only done when there are changes in the contract that significantly modifies the contractual cash flows.

Loans and receivables
Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are recognized initially at fair value, plus transaction costs that are attributable to the acquisition of loans and receivables.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate (EIR) method, less allowance for doubtful accounts. Amortized cost is calculated by taking into account any discount or premium on the acquisition and fees or costs that are an integral part of the EIR. Gains and losses are recognized in profit or loss when loans and receivables are derecognized or impaired, as well as through the amortization process.

This accounting policy relates primarily to the Group’s cash and cash equivalents, receivables and miscellaneous deposits.

AFS financial assets
AFS financial assets are those which are designated as such or do not qualify to be classified or designated as at FVPL, loans and receivables or HTM investments. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

AFS financial assets are recognized initially at fair value, plus transaction costs that are attributable to the acquisition of AFS financial assets.

After initial measurement, AFS financial assets are subsequently measured at fair value. Dividends earned on holding AFS financial assets are recognized in profit or loss as dividend income when the right to receive payment has been established. The unrealized gains and losses arising from the fair valuation of AFS financial assets are recognized in OCI under “Reserve for fluctuation on available-for-sale financial assets” account. The losses arising from impairment of such investments are recognized as impairment losses in profit or loss. When the investment is disposed of, the cumulative gains or losses previously recognized in OCI are recognized as realized gains or losses in profit or loss.

When the fair value of AFS equity instruments cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost, less allowance for impairment losses.

This accounting policy pertains to the Group's investments in club shares, common and preferred equity shares, and convertible notes.

Other financial liabilities
This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations and borrowings.

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

After initial measurement, other financial liabilities are measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the acquisition and fees or costs that are an integral part of the EIR. Gains and losses are recognized in profit or loss when other financial liabilities are derecognized, as well as through the EIR amortization process.

This accounting policy relates primarily to the Group's accounts payable and accrued expenses (excluding customers' deposits, statutory payables and taxes payable), trust receipts and loans payable and long-term debt.

<u>Fair Value Measurement</u>
The Group measures derivatives and AFS financial assets at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 30.

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

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

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at balance sheet date.

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

<u>Offsetting of Financial Instruments</u>
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheets 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.

<u>Derecognition of Financial Instruments</u>
Financial asset
A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized (that is, removed from the consolidated balance sheets) when:

- The right to receive cash flows from the asset have expired; or
- The Group has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either:

    a. The Group has transferred substantially all the risks and rewards of the asset; or
    b. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

Impairment of Financial Assets
The Group assesses, at each balance sheet date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred "loss event"), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables
For loans and receivables, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized, are not included in a collective assessment for impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. Loans and receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated provision for doubtful accounts increases or decreases because of an event occurring after the provision for doubtful accounts was recognized, the previously recognized provision for doubtful accounts is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is recognized in profit or loss.

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

In the case of equity investments classified as AFS financial assets, objective evidence would include a significant or prolonged decline in the fair value of the investments below its cost. "Significant" is evaluated against the original cost of the investments and "prolonged" against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment losses on that investments previously recognized in profit or loss - is removed from OCI and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in OCI.

Inventories
Inventories are valued at the lower of cost and net realizable value (NRV). Cost is determined using the moving average method for raw materials and supplies. For finished goods and work-in-process, cost includes direct materials, direct labor, and a proportion of manufacturing overhead costs based on normal operating capacity determined using the moving average method. NRV is the estimated selling price in the ordinary course of business, less the estimated costs of completion and costs necessary to make the sale. In the event that NRV is lower than cost, the decline shall be recognized as an expense in profit or loss.

Tax Credits
Tax credits, included under "Other current assets" account in the consolidated balance sheets, include amounts withheld from income tax payments and value added tax refund claims.

Property, Plant and Equipment
Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses. The initial cost of property, plant and equipment consists of its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to profit or loss in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property, plant and equipment.

Construction in progress is stated at cost, less impairment loss, if any. This includes costs of construction and installation of plant and equipment and machinery items, and any other costs directly attributable to bringing the asset to its intended use. Construction in progress is not depreciated until such time as the relevant assets are completed and put into operational use.

Depreciation of property, plant and equipment commences once the property, plant and equipment are available for use and is calculated on a straight-line basis over the estimated useful lives (EUL) of the assets as follows:

	Years
Buildings	25 - 30
Building improvements	5
Machineries and facilities equipment	7
Furniture, fixtures and office equipment	3 - 5
Transportation equipment	3 - 5
Tools and instruments	2 - 5

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

Fully depreciated property, plant and equipment are retained in the accounts until these are no longer used and no further depreciation is charged to profit or loss.

The EUL and methods of depreciation of property, plant and equipment are reviewed annually and adjusted prospectively, if appropriate. The EUL of property, plant and equipment are based on expected asset utilization as anchored on business plans and strategies that also consider expected future technological developments and market behavior to ensure that the period of depreciation is consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Borrowing Costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

Business Combinations and Goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects to measure the non-controlling interest in the acquiree at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in the consolidated statements of income under "Operating expenses" account.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability, that is a financial instrument and within the scope of PAS 39 is measured at fair value, with changes in fair value recognized either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of PAS 39, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognized in profit or loss. The Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost, less accumulated impairment losses. For purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGU, or group of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is allocated should:

- Represent the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- Not be larger than an operating segment determined in accordance with PFRS 8.

When goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill allocated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation.

Intangible Assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as of the date of acquisition.

After initial recognition, intangible assets are carried at cost, less accumulated amortization and any accumulated impairment losses.

The EUL of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortized over their EUL and assessed for impairment whenever there is an indication that the intangible asset is impaired. The amortization period and method for intangible assets with finite useful lives are reviewed at least at the end of each balance sheet date. Changes in the EUL or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite useful lives is recognized in profit or loss.

The EUL of intangible assets are as follows:

	Years
Customer relationships	5
Unpatented technology	5
Computer software	3

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite useful life is reviewed annually to determine whether the indefinite useful life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss when the asset is derecognized.

Impairment of Nonfinancial Assets
The Group assesses, at each balance sheet date, whether there is an indication that an asset is impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value-in-use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. 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.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGU to which the individual assets are allocated. These budgets and forecast calculations generally covered a period of five years.

For assets excluding goodwill, an assessment is made at each balance sheet date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such reversal, the depreciation and amortization expense is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining EUL.

Goodwill is tested for impairment annually as of September 30 and when circumstances indicate that the carrying amount is impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Provisions

Provisions are recognized when the Group 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.

When the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Equity

Capital stock

Capital stock is measured at par value for all shares issued and outstanding. When the Parent Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

Additional paid-in capital

Additional paid-in capital pertains to the difference of the par value and selling price of issued and outstanding shares of stock. Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are charged to "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against "Retained earnings" account.

Subscriptions receivable
Subscriptions receivable pertains to the uncollected portion of the subscribed shares.

Retained earnings and dividend on capital stock of the Parent Company
Retained earnings represent net accumulated earnings of the Group, less dividends declared. Appropriated retained earnings are set aside for future expansion. Dividends on capital stock are recognized as a liability and deducted from equity when they are approved by Parent Company's BOD.

Treasury stock
Treasury stock is recorded at cost and is presented as a deduction from equity. When the shares are retired, the "Capital stock" account is reduced by its par value and the excess of cost over par value upon retirement is debited to "Additional paid-in capital" account to the extent of the specific or average additional paid-in capital when the shares were issued and to "Retained earnings" account for the remaining balance.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group 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. The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods
Revenue from sale of goods is recognized when goods are shipped or goods are received by the customer, depending on the corresponding agreement with the customers, title and risk of ownership have passed, the price to the buyer is fixed or determinable, and recoverability is reasonably assured.

Rendering of services
Revenue from sale of services is recognized when the related services to complete the required units have been rendered.

Interest income
Interest income is recognized as it accrues using the EIR method.

Dividends
Dividend income is recognized when the right to receive the payment is established.

Miscellaneous income
Miscellaneous income is recognized as the Group earns the right over it.

Expenses
Expenses of the Group include cost of sales, operating expenses and interest expense.

Cost of sales
This account includes cost of goods sold and cost of services. These expenses pertain to the direct expenses incurred by the Group in relation to the products and services offered. Cost of sales is recognized when the related goods are sold and when services are rendered.

Operating expenses
This account pertains to the general and administrative expenses. Operating expenses are recognized when incurred, except for rental expense, which is computed on a straight line-basis over the lease term.

Interest expense
Interest expense is incurred with the passage of time and is recorded on an accrual basis.

Foreign Currency Transactions
The functional currencies of the Group's foreign operations are determined as the currency in the country where the subsidiary operates. For consolidation purposes, the foreign subsidiaries' balances are translated to USD, which is the Parent Company's functional and presentation currency.

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

The functional currencies of the Group's foreign subsidiaries are USD, RMB, EUR, BGN, CZK and MXP. As at the balance sheet date, the assets and liabilities of these subsidiaries are translated into the presentation currency of the Parent Company at the rate of exchange ruling at the balance sheet date and their profit and loss accounts are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are recognized in the consolidated statement of comprehensive income and reported as a separate component of equity.

Exchange differences arising from elimination of intragroup balances and intragroup transactions are recognized in profit or loss. As an exception, if the exchange differences arise from intragroup balances that, in substance, forms part of an entity's net investment in a foreign operation, the exchange differences are not to be recognized in profit or loss, but are recognized in OCI and accumulated in a separate component of equity until the disposal of the foreign operation.

On disposal of a foreign entity, the deferred cumulative amount recognized in the consolidated statement of comprehensive income relating to that particular foreign operation shall be recognized in profit or loss.

Income Taxes

Current tax
Current tax assets and current tax liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as of the balance sheet date in the countries where the Group operates and generates taxable profit.

Current tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, when appropriate.

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

Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of unused tax losses, to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences and carryforward benefits of unused tax losses can be utilized, except:

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

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

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

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

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

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

For periods where an ITH is in effect, no deferred taxes are recognized in the consolidated financial statements as the ITH status of the Group neither results in a deductible temporary difference or taxable temporary difference. However, for temporary differences that are expected to reverse beyond the ITH, deferred taxes are recognized.

<u>Earnings per Share (EPS) Attributable to Equity Holders of the Parent Company</u>
Basic EPS is computed by dividing net income attributable to common equity holders by the weighted average number of common shares outstanding and adjusted to give retroactive effect to any stock dividends declared during the period. Diluted EPS is computed by dividing net income attributable to common equity holders by the weighted average number of common shares outstanding, plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares. The calculation of diluted EPS does not assume conversion, exercise or other issue of potential common shares that would have an antidilutive effect on EPS.

Retirement and Other Employee Benefits

Defined benefit plans

The Parent Company, PSi and IMI BG maintain separate defined benefit plans covering substantially all of their employees. The plans of the Parent Company and PSi are funded and noncontributory retirement plans administered by their respective Boards of Trustees, while that of IMI BG is unfunded and noncontributory.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with the option to accelerate when significant changes to underlying assumptions occur.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

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

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

Net retirement liabilities are the aggregate of the present value of the defined benefit obligation at the end of the balance sheet date reduced by the fair value of plan assets, adjusted for any effect of limiting a net retirement asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. The fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

Defined contribution plans

The Parent Company's subsidiaries in Singapore, PRC and Hong Kong, IMI CZ and IMI MX participate in the respective national retirement schemes defined by the laws of the countries in which it has operations. These retirement schemes are considered as defined contribution plans. A defined contribution plan is a plan under which the subsidiary pays fixed contributions. Each subsidiary has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The required contributions to the national retirement schemes are recognized as retirement expense as accrued.

Singapore

The subsidiaries incorporated in Singapore make contributions to the Central Provident Fund scheme in Singapore. Contributions to defined contribution retirement schemes are recognized as an expense in the period in which the related service is performed.

PRC
The subsidiaries incorporated and operating in PRC are required to provide certain staff retirement benefits to their employees under existing PRC regulations. Retirement contributions are provided at rates stipulated by PRC regulations and are contributed to a retirement fund managed by government agencies, which are responsible for administering these amounts for the subsidiaries' employees.

Hong Kong
The subsidiary in Hong Kong participates in the defined Provident Fund. The subsidiary and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The contributions of the subsidiary and the employees are subject to a cap of HK$1,500 per month and thereafter, contributions are voluntary.

IMI CZ
IMI CZ, under its Collective Agreement, is committed to pay contributions to life and retirement insurance of its loyal employees. This is done on a monthly basis as part of payroll expenses and only over the employment period. IMI CZ is not obliged to any other payments if employment terminates.

IMI MX
In accordance with the Mexican Labor Law, IMI MX provides seniority premium benefits to its employees under certain circumstances. These benefits consist of a one-time payment equivalent to twelve days of wage for each year of service (at the employee's most recent salary, but not to exceed twice the legal minimum wage), payable to all employees with fifteen or more years of service, as well as to certain employees terminated involuntarily prior to the vesting of their seniority premium benefit. IMI MX estimates that the differences that might be determined if this liability had been estimated by an independent actuary are immaterial.

IMI MX also provides statutorily mandated severance benefits to its employees terminated under certain circumstances. Such benefits consist of a one-time payment of three months wages plus twenty days wages for each year of service payable upon involuntary termination without just cause. These are recognized when such an event occurs.

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

PSi
PSi compensates employees for vacation and sick absences (compensated absences). Entitlement to compensated absences is accumulating.

Leave days entitlement for a certain year can be availed of during and/or the following year, except those unused vacation leaves for prior years through December 31, 2009. Upon separation of an employee who has rendered at least one year of service, accumulated sick leave and vacation leave balances will be converted to cash based on the employee's final daily rate, except for executives' (directors and higher positions), sick leave and vacation credits which are non-commutable to cash.

Unused vacation leaves for prior years through December 31, 2009 can only be converted to cash upon separation of the employees from PSi and are actuarially determined using the projected unit credit method.

Share-based Payment Transactions
Certain employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (“equity-settled transactions”).

The Group has an employee stock ownership plan (ESOWN) which allows the grantees to purchase the Parent Company’s shares at a discounted price. The Group recognizes employee benefit expense over the holding period. The Group treats its ESOWN plan as option exercisable within a given period. These are accounted for similar to the methods outlined in PFRS 2. Dividends paid on the awards that have vested are deducted from equity while those paid on awards that are unvested are charged to profit or loss.

Operating Segments
The Group is organized and managed separately according to geographical locations of businesses. The geographical segments are segregated as follows: Philippines, Singapore/China, Europe/Mexico, USA and Japan. These geographical businesses are the basis upon which the Group reports its operating segment information presented in Note 27.

Leases
The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfillment of the arrangement is dependent on the use of a specific asset or assets, or whether the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Operating lease commitments - Group as lessor
Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis of rental income. Rental income is recognized in the consolidated statements of income on a straight-line basis over the lease term.

Operating and finance lease commitments - Group as lessee
Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments and included in the “Property, plant and equipment” account, with the corresponding liability to the lessor included in the “Accounts payable and accrued expenses” account for the current portion, and “Noncurrent portion of obligation under finance lease” account for the noncurrent portion in the consolidated balance sheets. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized under “Interest expense and bank charges” account in the consolidated statements of income.

Capitalized leased assets are depreciated over the shorter of the EUL of the assets and the respective lease terms.

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as expense in profit or loss on a straight-line basis over the respective lease terms.

If a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss should be recognized immediately. If the sale price is below fair value, any profit or loss should be recognized immediately, unless the loss is compensated by future lease payments over the period for which the asset is expected to be used. If the sales price is above fair value, the excess over fair value should be deferred and amortized over the period for which the asset is expected to be used.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the consolidated financial statements, unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the consolidated financial statements when an inflow of economic benefits is probable.

Events after the Balance Sheet Date
Post period events that provide additional information about the Group's financial position at the balance sheet date (adjusting events) are reflected in the consolidated financial statements. Post period events that are non-adjusting events are disclosed in the consolidated financial statements when material.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Uncertainty about these judgments, assumptions and estimates could result in outcomes that require a material adjustment to the carrying amounts of assets and liabilities affected in future periods.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Functional currency
PAS 21, *Effects of Changes in Foreign Exchange Rates*, requires management to use its judgment to determine each entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the Group. In making this judgment, each entity within the Group considers the currency in which the sales prices for its goods and services are denominated and settled.

Effective March 1, 2014, IMI MX changed its functional currency from MXN to USD while IMICD changed its functional currency from USD to RMB on August 1, 2014. Management believes that the change in the functional currency was necessary to define the currency of the primary economic environment in which these entities operate.

Operating lease commitments - Group as lessor
In agreement with the original lessor, STEL subleased portions of the leasehold building it occupies. STEL has determined that it has not retained the significant risks and rewards related to the ownership of the said leasehold building, and so accounts for the contract as operating lease.

Further details are disclosed in Note 28.

Operating and finance lease commitments - Group as lessee
The Group has entered into various lease contracts for office equipment, office spaces and land as lessee. The Group has determined that it has not acquired the significant risks and rewards related to the ownership of the leased properties and so accounts for the contracts as operating leases.

In addition, IMI BG and IMI CZ have various finance lease contracts related to machineries and production equipment and transportation equipment. They have determined, based on the evaluation of the terms and conditions of their respective arrangements, that they bear substantially all the risks and rewards incidental to the ownership of the said assets and so account for the contracts as finance leases.

Sale and leaseback
In 2014, STEL entered into a sale and leaseback agreement in relation to its leasehold building. Management assessed that the transaction is an operating lease based on the following judgments:

- The selling price of the building approximates its fair value;
- The lease term do not constitute a major part of the economic life of the asset;
- The ownership of the asset will not be transferred to STEL at the end of the lease term;
- STEL does not have an option to repurchase at the end of the lease term; and
- The leased asset is not of a specialized nature.

As a result of this transaction, the gain on sale of the building was recognized immediately in profit or loss.

Further details are disclosed in Note 28.

Contingencies
The Group is currently involved in various legal proceedings and tax assessments. The estimates of the probable costs of the resolutions and assessments of these claims have been developed in consultation with outside counsels handling the defense in these matters and are based upon analyses of potential results. The Group currently does not believe that these proceedings and tax assessments will have a material effect on the Group's financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.

Further details are disclosed in Note 32.

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its estimates and assumptions on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of receivables
The Group reduces the carrying amount of its receivables through the use of an allowance account if there is objective evidence that an impairment loss on receivables has been incurred, based on the result of the individual and collective impairment assessments. Factors considered are payment history and past due status.

Further details on receivables are disclosed in Note 6.

Estimating NRV of inventories
Inventories are valued at the lower of cost and NRV. This requires the Group to make an estimate of the inventories' estimated selling price in the ordinary course of business, costs of completion and costs necessary to make a sale to determine the NRV. In the event that NRV is lower than cost, the decline is recognized as an expense.

Further details on inventories are disclosed in Note 7.

Depreciation and amortization
The Group computes depreciation and amortization of property, plant and equipment and intangible assets with finite useful life on a straight-line basis over the assets' EUL. The EUL and depreciation and amortization method are reviewed annually to ensure that these are consistent with the expected pattern of the economic benefits from the assets. This requires the Group to make an estimate of the expected asset utilization from business plans and strategies, future technical developments and market behavior to determine the expected pattern of economic benefits from the assets. Changes in the EUL or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the depreciation and amortization period or method, as appropriate, and are treated as changes in accounting estimates. The depreciation and amortization expense on property, plant and equipment and intangible assets with finite useful lives are recognized in profit or loss, in the expense category, consistent with the function of the property, plant and equipment and intangible assets.

Further details on property, plant and equipment and intangible assets are disclosed in Notes 9 and 11, respectively.

Impairment of property, plant and equipment and intangible assets
The Group determines, at each balance sheet date, whether there is any indication that an item of property, plant and equipment and intangible assets with finite useful lives may be impaired, or whether there is any indication that an impairment loss previously recognized for an asset in prior periods may no longer exists or has decreased. If any such indication exists, and when the carrying amount of an asset exceeds its estimated recoverable amount, the asset or, if it is not possible, for the CGU to which the asset belongs, is written down to its recoverable amount.

Further details on property, plant and equipment and intangible assets are disclosed in Notes 9 and 11, respectively.

Impairment of goodwill
The Group determines whether goodwill is impaired at least on an annual basis. The impairment testing may be performed at any time in the annual reporting period, but it must be performed at the same time every year and when circumstances indicate that the carrying amount is impaired. The impairment testing also requires an estimation of the recoverable amount, which is the net selling price or value-in-use of the CGU to which the goodwill is allocated. The most recent detailed calculation made in a preceding period of the recoverable amount of the CGU may be used for the impairment testing for the current period provided that:

1. The assets and liabilities making up the CGU have not changed significantly from the most recent calculation;
2. The most recent recoverable amount calculation resulted in an amount that exceeded the carrying amount of the CGU by a significant margin; and
3. The likelihood that a current recoverable amount calculation would be less than the carrying amount of the CGU is remote, based on an analysis of events that have occurred, and circumstances that have changed since the most recent recoverable amount calculation.

When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or CGU and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details on goodwill are disclosed in Note 10.

Impairment of AFS equity investments
The Group treats AFS equity investments as impaired when there has been a significant or prolonged decline in the fair value of these investments below its cost or where other objective evidence of impairment exists. The determination of what is significant or prolonged requires judgment. The Group treats significant generally as 20% or more and prolonged as greater than six months for quoted equity investments. In addition, the Group evaluates other factors, such as normal volatility in share price for quoted equities. Unquoted equity investments are impaired when the investee company is experiencing significant financial difficulty.

Further details on AFS financial assets are disclosed in Note 12.

Taxes
Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws and the amount and timing of future taxable profits. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience on previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of unused tax losses, to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences and carryforward benefits of unused tax losses can be utilized. Significant judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Further details on taxes are disclosed in Note 23.

Retirement and other employee benefits
The cost of defined benefit plans and other long-term employee benefits (including accrued leaves of PSi) as well as the present value of defined benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rates, turnover rates, mortality rates, salary increase rates, and future retirement increases. Due to the complexity of the actuarial valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each balance sheet date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The turnover rate represents the proportion of the current plan members who will resign from service prior to their retirement date and hence, be entitled to resignation benefits instead of retirement benefits. The mortality rate is based on publicly available mortality tables and is modified accordingly with estimates of mortality improvements. Salary increase rates and future retirement increases are based on expected future inflation rates.

The Group also estimates other short-term employee benefit obligations and expenses, including the cost of paid leaves based on historical leave availments of employees, subject to the Group's policies. These estimates may vary depending on the future changes in salaries and actual experiences during the period.

Further details on retirement and other employee benefits are disclosed in Note 25.

Share-based payments
The expected life of the options is based on the expected exercise behavior of the stock option holders and is not necessarily indicative of the exercise patterns that may occur. The expected volatility is based on the average historical price volatility which may be different from the expected volatility of the shares of stock of the Parent Company.

Further details on ESOWN are disclosed in Note 26.

5. Cash and Cash Equivalents

This account consists of:

	2014	2013
Cash on hand	**$82,142**	$97,912
Cash in banks	**63,504,005**	44,887,461
Short-term investments	**54,039,344**	4,057,226
	$117,625,491	$49,042,599

Cash in banks earns interest at the respective bank deposit rates. Short-term investments are made for varying periods of up to three months and earn interest at the respective short-term investment rates. Short-term investments in 2014 include proceeds from the public offering amounting to $35.92 million (see Note 18).

Interest income earned from cash in banks and short-term investments amounted to $0.20 million in 2014, $0.22 million in 2013 and $0.27 million in 2012.

6. Receivables - net

This account consists of:

	2014	2013
Trade	**$192,038,296**	$174,135,627
Nontrade	**1,598,225**	2,838,394
Receivable from insurance	**1,066,423**	1,178,785
Receivable from employees	**588,787**	542,944
Due from related parties (Note 29)	**180,788**	192,161
Others	**1,825,989**	3,067,488
	197,298,508	181,955,399
Less allowance for doubtful accounts	**2,176,440**	3,490,657
	$195,122,068	$178,464,742

<u>Trade</u>
Trade receivables arise from manufacturing and other related services for electronic products and components and have credit terms ranging from 30 to 60 days from invoice date.

As of December 31, 2013, IMI BG's pledged receivables with UniCredit Bulbank amounted to €5.08 million ($7.01 million) (see Note 15).

<u>Nontrade</u>
Nontrade receivables represent billings to customers for production and test equipment and all other charges agreed with the customers in carrying out business operations. These receivables have credit terms ranging from 30 to 60 days from invoice date.

<u>Receivable from Insurance</u>
Receivable from insurance represents claims for damages to equipment and inventories caused by a fire incident in the Parent Company's plant in Cebu, Philippines in May 2009. This receivable is fully provided with allowance for doubtful accounts.

Allowance for Doubtful Accounts
Trade receivables, nontrade receivables, receivable from insurance and receivable from employees with aggregate nominal value of $2.18 million and $3.49 million as of December 31, 2014 and 2013, respectively, were individually assessed to be impaired and fully provided with allowance for doubtful accounts.

On March 20, 2014, the long-outstanding trade and nontrade receivables of the Parent Company from a customer with aggregate nominal amount of $1.75 million were converted to Class A common stock of the customer in full satisfaction of the latter's obligation (see Note 12). The corresponding allowance of these receivables was reversed in full.

Movements in the allowance for doubtful accounts are as follows:

	December 31, 2014				
	Trade	**Nontrade**	**Receivable from Insurance**	**Receivable from Employees**	**Total**
Balances at January 1, 2014	**$2,171,356**	**$122,490**	**$1,178,785**	**$18,026**	**$3,490,657**
Provisions (reversals)	**(852,611)**	**(47,907)**	**–**	**1,214**	**(899,304)**
Accounts written-off	**(298,698)**	**(2,508)**	**(112,362)**	**(1,345)**	**(414,913)**
Balances at December 31, 2014	**$1,020,047**	**$72,075**	**$1,066,423**	**$17,895**	**$2,176,440**

	December 31, 2013				
	Trade	Nontrade	Receivable from Insurance	Receivable from Employees	Total
Balances at January 1, 2013	$2,459,173	$124,320	$1,178,785	$18,026	$3,780,304
Provisions (reversals)	(115,511)	12,387	–	–	(103,124)
Accounts written-off	(172,306)	(14,217)	–	–	(186,523)
Balances at December 31, 2013	$2,171,356	$122,490	$1,178,785	$18,026	$3,490,657

Provisions (reversals) during the year form part of "Operating expenses" account and are included under "Facilities costs and others" (see Note 21).

7. Inventories

This account consists of:

	2014	2013
Raw materials and supplies	**$67,570,479**	$70,481,190
Work-in-process	**13,252,772**	13,785,193
Finished goods	**18,462,078**	15,248,673
	99,285,329	99,515,056
Less allowance for:		
Inventory obsolescence	**7,811,593**	5,151,060
Decline in value of inventories	**84,267**	228,388
	7,895,860	5,379,448
	$91,389,469	$94,135,608

The cost of the inventories carried at NRV amounted to $28.37 million and $19.20 million as of December 31, 2014 and 2013, respectively. The amount of inventories recognized as an expense under "Cost of goods sold and services" account amounted to $547.25 million in 2014, $498.22 million in 2013 and $449.06 million in 2012 (see Note 19).

In 2014, the Parent Company claimed and collected an insurance amounting to $0.43 million for the damaged inventories caused by a typhoon in August 2013. The total cost of affected stocks amounted to $0.25 million while the related allowance for inventory obsolescence amounted to $0.15 million. Accordingly, gain on insurance claims amounting to $0.33 million was recognized under "Gains on insurance claims" account in the consolidated statements of income in 2014.

Movements in the allowance for inventory obsolescence are as follows:

	2014	2013
Balances at January 1	**$5,151,060**	$4,349,787
Provisions (Note 21)	**3,737,353**	2,123,145
Write-offs	**(1,076,820)**	(1,321,872)
Balances at December 31	**$7,811,593**	$5,151,060

Movements in the allowance for decline in value of inventories value are as follows:

	2014	2013
Balances at January 1	**$228,388**	$362,936
Provisions (reversals) (Note 21)	**84,267**	(107,131)
Write-offs	**(228,388)**	(27,417)
Balances at December 31	**$84,267**	$228,388

The Group recognized gains (losses) from sale of materials amounting to $0.58 million in 2014, $0.92 million in 2013 and ($1.82) million in 2012. Gains (losses) from sale of materials are included under "Miscellaneous income (loss) - net" account in the consolidated statements of income.

As of December 31, 2013, IMI BG's pledged inventories with UniCredit Bulbank €8.00 million ($11.04 million), respectively (see Note 15).

8. **Other Current Assets**

This account consists of:

	2014	2013
Tax credits	**$7,122,658**	$12,402,958
Prepayments	**2,861,079**	1,076,126
Input taxes	**1,136,322**	1,411,528
Advances to suppliers	**750,335**	1,668,113
Current portion of deferred licensing fee	**–**	10,000
Others	**1,327**	51,244
	$11,871,721	$16,619,969

Tax credits are mainly attributable to IMI MX.

Prepayments include prepayments for life and fire insurance, rent and product liability, and recall insurance, which cover product recall expenses and liability to third parties seeking damage in the event the Group recalls any of its products.

Advances to suppliers represent advanced payments made to suppliers for direct materials.

Deferred licensing fee pertains to the payment made by PSi to Amkor Technology, Inc. in 2004 amounting to $0.10 million, in accordance with the terms of their Micro-lead frame Patent License Agreement. This was fully amortized as of December 31, 2014.

9. Property, Plant and Equipment - net

Movements in this account are as follows:

	December 31, 2014						
	Buildings and Improvements	Machineries and Facilities Equipment	Furniture, Fixtures and Office Equipment	Transportation Equipment	Tools and Instruments	Construction in Progress	Total
Cost							
Balances at January 1, 2014	$70,115,207	$114,865,377	$15,957,145	$1,023,238	$3,914,555	$1,171,582	$207,047,104
Additions	3,028,486	14,190,060	1,565,482	743,435	398,113	5,019,969	24,945,545
Disposals	(4,671,294)	(17,213,523)	(309,599)	(327,797)	(247,400)	(146,715)	(22,916,328)
Retirement	(37,152)	(355,289)	(5,742)	–	(33,909)	–	(432,092)
Transfers	647,944	1,762,332	153,972	–	1,737	(2,565,985)	–
Foreign currency exchange difference	(1,227,623)	(5,435,905)	(289,232)	(90,387)	–	(312,339)	(7,355,486)
Balances at December 31, 2014	67,855,568	107,813,052	17,072,026	1,348,489	4,033,096	3,166,512	201,288,743
Accumulated depreciation							
Balances at January 1, 2014	35,008,397	69,124,761	12,181,670	324,911	3,021,101	–	119,660,840
Depreciation	3,555,050	15,255,117	1,195,539	356,080	498,063	–	20,859,849
Disposals	(2,055,597)	(15,523,636)	(287,064)	(319,727)	(175,754)	–	(18,361,778)
Retirement	(24,533)	(252,038)	(5,742)	–	(18,104)	–	(300,417)
Foreign currency exchange difference	(223,759)	(3,482,116)	(219,158)	(64,860)	–	–	(3,989,893)
Balances at December 31, 2014	36,259,558	65,122,088	12,865,245	296,404	3,325,306	–	117,868,601
Accumulated impairment losses							
Balances at January 1 and December 31, 2014	736,565	983,421	12,226	–	–	–	1,732,212
Net book value	$30,859,445	$41,707,543	$4,194,555	$1,052,085	$707,790	$3,166,512	$81,687,930

	December 31, 2013						
	Buildings and Improvements	Machineries and Facilities Equipment	Furniture, Fixtures and Office Equipment	Transportation Equipment	Tools and Instruments	Construction in Progress	Total
Cost							
Balances at January 1, 2013	$72,228,680	$128,050,382	$16,108,919	$1,216,621	$3,751,507	$1,214,071	$222,570,180
Additions	2,086,900	10,177,887	1,937,408	246,049	428,459	5,973,276	20,849,979
Disposals	(1,718,354)	(17,131,999)	(428,241)	(463,830)	(265,411)	–	(20,007,835)
Retirement	(3,436,092)	(12,138,924)	(1,899,897)	(53,973)	–	–	(17,528,886)
Transfers	1,245,220	4,641,848	161,250	52,313	–	(6,100,631)	–
Foreign currency exchange difference	(291,147)	1,266,183	77,706	26,058	–	84,866	1,163,666
Balances at December 31, 2013	70,115,207	114,865,377	15,957,145	1,023,238	3,914,555	1,171,582	207,047,104
Accumulated depreciation							
Balances at January 1, 2013	36,498,492	80,145,011	13,081,121	425,019	2,622,129	–	132,771,772
Depreciation	3,507,838	15,360,988	1,323,320	305,304	572,649	–	21,070,099
Disposals	(1,594,516)	(14,740,564)	(384,327)	(371,141)	(173,677)	–	(17,264,225)
Retirement	(3,436,092)	(12,138,924)	(1,899,897)	(53,973)	–	–	(17,528,886)
Foreign currency exchange difference	32,675	498,250	61,453	19,702	–	–	612,080
Balances at December 31, 2013	35,008,397	69,124,761	12,181,670	324,911	3,021,101	–	119,660,840
Accumulated impairment losses							
Balances at January 1, 2013	736,565	978,430	12,226	–	–	–	1,727,221
Impairment loss	–	4,991	–	–	–	–	4,991
Balances at December 31, 2013	736,565	983,421	12,226	–	–	–	1,732,212
Net book value	$34,370,245	$44,757,195	$3,763,249	$698,327	$893,454	$1,171,582	$85,654,052

STEL owns a light industrial building located at 20 Kian Teck Lane Singapore 627854 sited on a land area of 3,993 square meters and is held under a lease issued by JTC Corporation (JTC) (see Note 28).

On August 27, 2014, STELentered into an agreement relating to the sale and leaseback of the building with DBS Trustee Limited (DBSTL), in its capacity as trustee of Soilbuild Business Space REIT (SBSR),) for a purchase consideration of SGD22.40 million ($17.19 million), subject to the fulfillment of certain conditions precedent. The cost of the property amounted to $4.67 million, with accumulated depreciation of $2.05 million. On December 23, 2014, the transaction was completed and the Group recognized gain on sale of the property amounting to $14.33 million. Expenses related to the sale amounted to $0.24 million (see Note 28).

Also, the Group recognized gains from disposal and retirement of certain machineries and facilities equipment, furniture and fixtures, and tools and instruments amounting to $0.18 million in 2014 and $0.13 million in 2013 and 2012.

As of December 31, 2014 and 2013, the cost of fully depreciated property, plant and equipment still being used by the Group amounted to $154.98 million and $92.89 million, respectively.

The carrying values of equipment under finance lease amounted to $4.03 million and $5.25 million as of December 31, 2014 and 2013, respectively.

As of December 31, 2014, IMI BG's pledged equipment with BNP Paribas amounted to $1.55 million (see Note 16).

Depreciation expense included in "Cost of goods sold and services" and "Operating expenses" accounts follows:

	2014	2013	2012
Cost of goods sold and services (Note 19)	**$18,332,968**	$18,698,523	$20,448,129
Operating expenses (Note 20)	**2,526,881**	2,371,576	2,871,305
	$20,859,849	$21,070,099	$23,319,434

10. **Goodwill**

As of December 31, 2014 and 2013, goodwill acquired through business combinations had been allocated to five individual CGUs as follows:

	2014	2013
STEL Group	**$45,128,024**	$45,128,024
IMI USA	**656,610**	656,610
IMI CZ	**650,413**	650,413
Parent Company	**441,166**	441,166
PSi	**–**	7,478,980
	$46,876,213	$54,355,193

As mentioned in Note 3, goodwill is tested for impairment annually as of September 30 every year and when circumstances indicate that the carrying amount is impaired. Goodwill impairment for PSi was re-assessed as of December 31, 2014 due to circumstances that indicated that the recoverable amount of the CGU was less than the carrying amount.

STEL Group, PSi, IMI USA and IMI CZ
The recoverable amounts of these CGUs have been based on value-in-use calculations using cash flow projections from financial budgets approved by management covering a 5-year period. The pre-tax discount rates applied to cash flow projections are as follows:

	2014	2013
STEL Group	**10.18%**	13.07%
PSi	**11.07%**	14.11%
IMI USA	**8.47%**	13.69%
IMI CZ	**10.50%**	12.73%

Cash flows beyond the 5-year period are extrapolated using a steady growth rate of 1%, which does not exceed the compound annual growth rate (CAGR) for the global EMS industry.

Key assumptions used in the value-in-use calculations
The calculations of value-in-use for the CGUs are most sensitive to the following assumptions:

- Forecasted gross margins - Gross margins are based on the mix of business model arrangements with the customers.
- Revenue - Revenue forecasts are management's best estimates considering factors such as industry CAGR, customer projections and other economic factors.

- Pre-tax discount rates - Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. This is also the benchmark used by management to assess operating performance. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital.

No impairment loss was assessed for STEL Group, IMI USA, and IMI CZ in 2014, 2013 and 2012.

For PSi, the assessment resulted to an impairment loss for the remaining balance of the goodwill amounting to $7.48 million in 2014 but no impairment losses in 2013 and 2012.

Sensitivity to changes in assumptions
With regard to the assessment of value-in-use of STEL Group, IMI USA, and IMI CZ, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of these CGUs to exceed their recoverable amount.

Parent Company
This pertains to the goodwill from the Parent Company's purchase of M. Hansson Consulting, Inc. (MHCI) in 2006. MHCI was subsequently merged to the Parent Company as testing and development department.

The recoverable amount was based on the market price of the Parent Company's shares at valuation date less estimated costs to sell. The comparison of the recoverable amount and the carrying amount resulted to no impairment loss in 2014, 2013 and 2012.

11. Intangible Assets

Movements in this account are as follows:

	December 31, 2014			
	Customer Relationships	**Unpatented Technology**	**Computer Software**	**Total**
Cost				
Balances at January 1, 2014	**$19,666,617**	**$100,000**	**$3,730,119**	**$23,496,736**
Additions	**–**	**–**	**1,287,611**	**1,287,611**
Foreign currency exchange difference	**–**	**–**	**(163,015)**	**(163,015)**
Balances at December 31, 2014	**19,666,617**	**100,000**	**4,854,715**	**24,621,332**
Accumulated amortization				
Balances at January 1, 2014	**16,170,531**	**100,000**	**2,364,475**	**18,635,006**
Amortization	**1,353,323**	**–**	**767,111**	**2,120,434**
Foreign currency exchange difference	**–**	**–**	**(136,853)**	**(136,853)**
Balances at December 31, 2014	**17,523,854**	**100,000**	**2,994,733**	**20,618,587**
Net book value	**$2,142,763**	**$–**	**$1,859,982**	**$4,002,745**

	December 31, 2013			
	Customer Relationships	Unpatented Technology	Computer Software	Total
Cost				
Balances at January 1, 2013	$19,666,617	$100,000	$2,897,761	$22,664,378
Additions	–	–	776,158	776,158
Foreign currency exchange difference	–	–	56,200	56,200
Balances at December 31, 2013	19,666,617	100,000	3,730,119	23,496,736
Accumulated amortization				
Balances at January 1, 2013	14,817,208	100,000	1,853,049	16,770,257
Amortization	1,353,323	–	436,449	1,789,772
Foreign currency exchange difference	–	–	74,977	74,977
Balances at December 31, 2013	16,170,531	100,000	2,364,475	18,635,006
Net book value	$3,496,086	$–	$1,365,644	$4,861,730

Customer Relationships
Customer relationships pertain to STEL Group's and IMI BG's noncontractual and contractual agreements, respectively, with certain customers, which lay out the principal terms upon which the parties agree to undertake business.

Customer relationship of STEL Group amounting to $12.90 million is fully amortized as of December 31, 2014 and 2013.

Unpatented Technology
Unpatented technology of STEL pertains to products which are technologically feasible. The following technologies are also unique, difficult to design around, and meet the separability criteria:

- Self-bias double-ended switching circuit; and
- A zero power consumption switch circuit to simplify the energy star solution for external power adapter.

Computer Software
This includes acquisitions of computer software, applications and modules.

Amortization expense included in "Cost of goods sold and services" and "Operating expenses" accounts follows:

	2014	2013	2012
Cost of goods sold and services (Note 19)	**$6,182**	$11,290	$17,148
Operating expenses (Note 20)	**2,114,252**	1,778,482	2,040,478
	$2,120,434	$1,789,772	$2,057,626

12. **Available-for-Sale Financial Assets**

This account consists of:

	2014	2013
Investment securities	**$1,753,589**	$1,350,368
Club shares	**522,361**	516,726
	2,275,950	1,867,094
Less allowance for impairment loss on AFS financial assets	**1,753,589**	–
	$522,361	$1,867,094

As of December 31, 2014, the balance of investment securities pertains to the trade and nontrade receivables from a customer which was converted to Class A common stock (see Note 6). This investment was provided with full allowance in 2014 due to the investee company's financial difficulties.

As of December 31, 2013, investment securities was composed of 8% non-cumulative, convertible preferred shares and convertible notes amounting to $1.35 million. In 2014, the full amount of these investments was written off and is included under "Miscellaneous income (loss) - net" account in the consolidated statements of income.

13. **Other Noncurrent Assets**

This account consists of:

	2014	2013
Miscellaneous deposits	**$1,705,650**	$2,357,537
Others	**172,103**	225,749
	$1,877,753	$2,583,286

Miscellaneous deposits include electric and water meter deposits.

14. **Accounts Payable and Accrued Expenses**

This account consists of:

	2014	2013
Trade payables	**$119,390,018**	$120,669,723
Accrued expenses	**25,222,419**	24,897,256
Accrued compensation and benefits	**24,691,621**	15,233,977
Nontrade payables	**6,347,988**	4,116,382
Taxes payable	**1,502,367**	720,216
Dividends payable	**898,700**	858,539
Current portion of obligation under finance lease (Note 28)	**853,164**	907,761
Employee-related contributions	**645,131**	627,590
Advances from customers	**518,495**	1,070,119
Accrued interest payable	**449,305**	471,700
Customers' deposits	**304,625**	650,953
Current portion of obligation under deferred revenue (Note 17)	**299,476**	287,568
Due to related parties (Note 29)	**33,715**	41,604
Others	**930,209**	501,186
	$182,087,233	$171,054,574

Trade Payables
Trade payables are noninterest-bearing and are normally settled on 15 to 60-day terms.

Accrued Expenses
Accrued expenses consist mainly of accruals for taxes, sub-contractual labor costs, professional fees, utilities and supplies.

Accrued Compensation and Benefits
Accrued compensation and benefits include accrued salaries, leave credits and other employee benefits.

Nontrade Payables
This account consists of obligations related to outsourced manpower, logistics and freight forwarders, professional and service fees and other non-trade related payables. These payables are normally settled on 30 to 60-day terms.

Employee-related Contributions
This account consists mainly of remittances related to government agencies such as Social Security Services, Pag-ibig and Philhealth.

15. **Trust Receipts and Loans Payable**

This account consists of borrowings of the following entities:

	2014	2013
Parent Company	**$29,000,000**	$24,000,000
STEL	**13,500,000**	3,501,332
PSi	**9,594,452**	9,422,426
IMI MX	**–**	2,183,092
IMI BG	**–**	6,547,015
	$52,094,452	$45,653,865

Parent Company
As of December 31, 2014 and 2013, the Parent Company has short-term loans aggregating to $29.0 million, and $24.0 million, respectively. The short-term loans have maturities ranging from 30 to 180 days, and fixed interest rates ranging from 1.75% to 2.20% in 2014, 1.90% to 2.40% in 2013, and 1.64% to 2.00% in 2012.

The Parent Company incurred interest expense on its short-term loans amounting to $0.64 million in 2014, $0.50 million in 2013 and $0.27 million in 2012 (see Note 22).

STEL
The loans of STEL are clean loans from various Singapore banks from existing revolving credit facilities and bear interest rates ranging from 1.93% to 2.38% in 2014, 2.30% to 2.39% in 2013, and 3.36% to 3.55% in 2012, and have maturities of 30 to 60 days from the date of issue, with renewal options.

STEL incurred interest expense on its short-term loans amounting to $0.17 million in 2014, $0.04 million in 2013 and $0.40 million in 2012 (see Note 22).

PSi
PSi has short-term loans from Metropolitan Bank & Trust Co. amounting to $9.20 million as of December 31, 2014 and 2013, and trust receipts payable amounting to $0.39 million and $0.22 million as of December 31, 2014 and 2013, respectively. These loans fall under an unsecured Omnibus Line Credit Facility of $10.00 million granted on November 24, 2010. The credit facility includes 30 to 360-day Promissory Notes (maybe denominated in USD or Philippine Peso (PHP), Letter of Credit (LC)/Trust Receipt Line, Export Packing Credit Line, FX Forward Cover, and Foreign Bills Line and Domestic Bill Purchase Line, subject to interest rates ranging from 2.23% to 2.53% in 2014, 2.16% to 2.57% in 2013, and 2.21% to 2.71% in 2012. This credit facility is renewable annually, and the current term is until May 30, 2015.

The undrawn credit facility amounted to $0.41 million and $0.58 million as of December 31, 2014 and 2013, respectively.

PSi incurred interest expense on its short-term loans and trust receipts payable amounting to $0.23 million in 2014, $0.22 million in 2013 and $0.26 million in 2012 (see Note 22).

IMI MX
IMI MX has a revolving credit line with Banamex amounting to $2.18 million as of December 31, 2013 with term not exceeding twelve months and bears interest based on London Interbank Offered Rate (LIBOR) plus 2.00%.

IMI MX incurred interest expense on its short-term loan amounting to $0.08 million in 2013 (see Note 22).

IMI BG

IMI BG has short-term loans from the following banks as of December 31, 2013:

Unicredit Bulbank	$5,167,138
BNP Paribas	1,379,877
	$6,547,015

The loans from UniCredit Bulbank and BNP Paribas are from revolving credit facilities with terms not exceeding one year and bear interest based on 1-month Euro Interbank Offered Rate (EURIBOR) plus 3.00% and 3-month EURIBOR plus 2.50%, respectively.

The credit facility with UniCredit Bulbank is subject to the following collaterals:

- First ranking pledge on materials, ready-made and unfinished production at balance sheet value, minimum of €8,000,000 (see Note 7);
- First ranking pledge on receivables from a certain customer (see Note 6); and
- Notary signed Soft Letter of Comfort from the Parent Company.

IMI BG's loan with UniCredit Bulbank as of December 31, 2013 amounting to $5.17 million was fully settled in the first quarter of 2014. The short-term loan with BNP Paribas was refinanced as long-term in 2014 (see Note 16).

As of December 31, 2013, IMI BG's pledged inventories and receivables with UniCredit Bulbank amounted to €13.08 million ($18.05 million) (see Notes 6 and 7).

The loan from BNP Paribas is subject to the following collaterals:

- First rank pledge on receivables from selected customers of IMI BG, subject to pre-financing in the amount of 125% of the utilized portion of the facility but not more than €3,750,000; and
- First rank pledge on goods of IMI BG in the amount of 125% of the utilized portion of the facility but not more than €3,750,000.

IMI BG incurred interest expense on its short-term loan amounting to $0.21 million in 2013 and $0.39 million in 2012 (see Note 22).

16. **Long-Term Debt**

This account consists of borrowings of the following entities:

	2014	2013
Parent Company	**$46,091,500**	$46,898,500
Cooperatief	**12,442,999**	16,892,242
IMI BG	**974,864**	–
IMI CZ	**590,027**	812,419
	60,099,390	64,603,161
Less current portion:		
Cooperatief	**2,428,200**	2,758,200
IMI BG	**243,716**	–
IMI CZ	**128,724**	145,208
	2,800,640	2,903,408
Noncurrent portion	**$57,298,750**	$61,699,753

Parent Company
In October 2011, the Parent Company obtained a 5-year term clean loan from a local bank amounting to $40.00 million, payable in a single balloon payment at the end of the loan term. The Parent Company may, at its option, prepay the loan in part or in full, together with the accrued interest without penalty. Interest on the loan is payable quarterly and re-priced quarterly at the rate of 3-month LIBOR plus margin of 0.80%.

On February 29, 2012, the Parent Company obtained a €5.00 million ($6.09 million), 5-year term clean loan from a local bank payable in a single balloon payment at the end of the loan term. The Parent Company may, at its option, prepay the loan in part or in full, together with the accrued interest without penalty, if made on an interest payment date, subject to certain conditions. Interest is payable semi-annually at the rate of 6-month LIBOR plus 1.50% spread per annum.

The Parent Company incurred interest expense on its long-term loans amounting to $0.81 million in 2014 and 2013 and $0.90 million in 2012 (see Note 22).

Loan covenants related to the Parent Company's loans are as follows:

- The ratio of debt to earnings before interest, taxes, depreciation and amortization (EBITDA) shall not exceed 3:1 at all times, with reference to the borrower's consolidated financial statements;
- Maintenance of debt service coverage ratio of at least 1.5:1;
- Maintenance at all times of a current ratio of at least 1:1; and
- Maintenance of a debt-to-equity ratio, computed with reference to the borrower's consolidated financial statements, of not greater than 1.75:1.

As of December 31, 2014 and 2013, the Parent Company has complied with all of the above-mentioned loan covenants.

Cooperatief
Under the SPA, the purchase consideration for the acquisition of IMI EU/MX Subsidiaries in 2011 includes the deferred payment aggregating to €14.25 million ($20.40 million) relating to the acquisition of EPIQ NV's shares and purchased receivables of EPIQ NV from IMI EU/MX Subsidiaries. Based on the payment schedule in the SPA, this long-term debt will be settled from 2013 to 2018, subject to interest rate of 1.60% plus 1.50%.

Cooperatief had already paid €2.00 million ($2.58 million) in 2014 and €2.00 million ($2.76 million) in 2013.

Below is the amortization schedule:

Due Dates	In EUR	In USD
2015	€2,000,000	$2,428,200
2016	2,000,000	2,428,200
2017	2,000,000	2,428,200
2018	4,248,743	5,158,399
	€10,248,743	$12,442,999

Cooperatief incurred interest expense on its long-term debt amounting to $0.47 million in 2014, $0.55 million in 2013, and $0.57 million in 2012 (see Note 22).

IMI BG

IMI BG has a long-term debt from BNP Paribas that relates to the term loan facility for financing the construction of a new warehouse with a term of five years and bears interest based on 3-month EURIBOR plus 2.90%. The warehouse was completed in 2013 and no borrowing costs were capitalized in 2014.

The credit facility with BNP Paribas is subject to the following collateral: Security of Transfer of Ownership Title relating to office and factory equipment with the carrying value of $1.55 million (see Note 9).

IMI BG incurred interest expense amounting to $0.18 million in 2014 (see Note 22).

IMI CZ

IMI CZ has a long-term debt from Citibank that relates to a term loan facility for the purchase of its new SMT machine. The debt bears interest of 1-month EURIBOR plus 2.70% and matures on July 31, 2019.

IMI CZ incurred interest expense on its long-term debt amounting to $0.02 million in 2014 and 2013 (see Note 22).

17. **Deferred Revenue**

On June 28, 2010, PSi and a local customer entered into a Subcontracting Services Agreement (SSA) for PSi to provide subcontracted services. In consideration, the local customer shall pay PSi service fees as provided for in the SSA. The subcontracted services shall be effective starting from July 15, 2010 and ending February 29, 2020, renewable upon mutual agreement by both parties.

In September 2009, PSi received noninterest-bearing cash advances amounting to $3.00 million from a foreign customer, an affiliate of the local customer. On July 15, 2010, the foreign customer assigned all of its rights with respect to the cash advances, including payments thereof, to the above local customer. The local customer and PSi agreed that upon termination of the SSA, the full cash advances amounting to $3.00 million will be applied to pre-pay and cover any and all of the fees payable, under Annex B of the SSA, for the facilities support services that will be rendered by PSi to the local customer. Moreover, PSi shall return to the local customer for any reason, the cash advances, less any amount applied to pay the fees as detailed in the SSA.

As of December 31, 2014 and 2013, the current and noncurrent portion of the advances from the local customer follows:

	2014	2013
Total outstanding advances from the local customer	**$1,742,329**	$2,029,897
Less current portion (Note 14)	**299,476**	287,568
Noncurrent portion	**$1,442,853**	$1,742,329

18. **Equity**

Capital Stock
This account consists of:

	2014		2013		2012	
	Shares	**Amount**	Shares	Amount	Shares	Amount
Authorized - ₱1 par value						
Common	**2,250,000,000**		2,250,000,000		2,250,000,000	
Preferred	**1,500,000,000**		1,500,000,000		1,500,000,000	
Issued - Common						
Balances at January 1	**1,572,129,429**	**$30,016,551**	1,571,874,431	$30,011,256	1,354,230,740	$24,932,075
Issuances during the year:						
Public offering	**215,000,000**	**4,789,485**	–	–	–	–
ESOWN	**3,286,750**	**70,580**	254,998	5,295	17,643,691	333,097
EPIQ NV	**–**	**–**	–	–	200,000,000	4,746,084
Balances at December 31*	**1,790,416,179**	**$34,876,616**	1,572,129,429	$30,016,551	1,571,874,431	$30,011,256
Issued - Preferred						
Balances at January 1 and December 31	**1,300,000,000**	**$26,601,155**	1,300,000,000	$26,601,155	1,300,000,000	$26,601,155

* *Out of the total issued shares, 15,892,124 shares as of December 31, 2014 and 15,892,109 shares as of December 31, 2013 and 2012 pertain to treasury shares.*

The preferred shares have certain features, rights and privileges, which include voting rights, quarterly dividends at a dividend rate of 2.90% rate per annum, cumulative in payment of current dividends, nonparticipating in any other or further dividends beyond those that are specifically payable on the shares, nonconvertibility to common shares, preference over holders of common stock in the distribution of corporate assets in the event of dissolution and liquidation and in the payment of the dividend at the rate specified, no pre-emptive rights, redeemable at the option of the issuer, and certificated.

On December 5, 2014, the Parent Company has completed its public offering and listing of 215,000,000 common shares at an offer price of ₱7.50 per share, with a par value of ₱1.00 per share, raising ₱1.61 billion ($35.92 million) cash to fund capital expenditure, support business expansion, refinance debt, and fund working capital requirements (see Note 5).

On October 23, 2009, the Philippine SEC approved the registration of 1,268,497,252 common shares of the Parent Company with ₱1.00 par value.

As of December 31, 2014, 2013 and 2012, there were 456, 526 and 562 registered common stockholders, respectively.

Subscribed Capital Stock
Details of this account follow:

	2014		2013		2012	
	Shares	**Amount**	Shares	Amount	Shares	Amount
Balances at January 1	**57,141,000**	**$1,229,926**	60,421,000	$1,300,851	283,909,186	$6,506,970
Subscriptions during the year - ESOWN	**31,797,958**	**708,590**	–	–	–	–
Issuances during the year:						
ESOWN	**(3,286,750)**	**(70,580)**	(254,998)	(5,295)	(17,643,691)	(333,097)
EPIQ NV	**–**	**–**	–	–	(200,000,000)	(4,746,084)
Forfeitures during the year - ESOWN	**(3,276,342)**	**(70,298)**	(3,025,002)	(65,630)	(5,844,495)	(126,938)
Balances at December 31	**82,375,866**	**$1,797,638**	57,141,000	$1,229,926	60,421,000	$1,300,851

Subscriptions Receivable
Details of this account are as follows:

	2014	2013	2012
Balances at January 1	**$9,590,746**	$9,650,842	$10,395,200
Subscriptions during the year	**4,187,765**	–	–
Forfeitures during the year	**(622,524)**	(647,750)	(1,400,751)
Collections during the year	**(328,621)**	(207,888)	(19,911)
Accretion during the year (Note 26)	**79,418**	795,542	676,304
Balances at December 31 (Note 26)	**$12,906,784**	$9,590,746	$9,650,842

Additional Paid-in Capital
Costs directly attributable to the issuance of new common shares in relation to the public offering were accounted for by the Parent Company as deduction from "Additional paid-in capital" account. These transaction costs include, among others, underwriting fees, legal and audit professional fees, documentary stamp tax, registration fees, prospectus design, and printing and publication costs.

Dividends
2014
On December 2, 2014, the BOD of the Parent Company approved and authorized the declaration and payment of cash dividends for 2015 to all preferred shareholders of the Parent Company at a dividend rate of 2.90% per annum. Details of the dividend payment are as follows:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Record date	February 6, 2015	May 8, 2015	August 7, 2015	November 11, 2015
Payment date	February 20, 2015	May 22, 2015	August 24, 2015	November 25, 2015
Amount	$209,958	$209,958	$216,956	$214,623

On February 17, 2014, the BOD of the Parent Company approved the declaration of cash dividend of $0.00140 or ₱0.06319 per share to all outstanding common shares as of record date March 3, 2014, payable on March 19, 2014.

2013
On November 29, 2013, the Parent Company's BOD approved a new dividend rate on preferred shares from 8.25% to 2.90% per annum. The BOD also approved the declaration and payment of quarterly dividends for 2014 to all shareholders of the Parent Company's preferred shares. Details of the dividend payment are as follows:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Record date	February 7, 2014	May 7, 2014	August 7, 2014	November 7, 2014
Payment date	February 21, 2014	May 21, 2014	August 22, 2014	November 21, 2014
Amount	$217,772	$212,986	$222,559	$217,772

2012
On December 10, 2012, the Parent Company's BOD approved the declaration and payment of the quarterly dividends of 8.25% per annum for 2013 to all shareholders of the Parent Company's preferred shares. Details of the dividend payment are as follows:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Record date	February 8, 2013	May 8, 2013	August 9, 2013	November 11, 2013
Payment date	February 21, 2013	May 21, 2013	August 23, 2013	November 22, 2013
Amount	$662,846	$655,106	$684,699	$662,846

Retained Earnings
On December 10, 2012, the BOD of the Parent Company approved the reclassification of appropriated retained earnings to unappropriated retained earnings amounting to $10.00 million.

Accumulated net earnings of the subsidiaries amounting to $63.48 million and $53.13 million as of December 31, 2014 and 2013, respectively, are not available for dividend declaration. This accumulated equity in net earnings becomes available for dividend upon receipt of cash dividends from the investees.

In accordance with Securities Regulation Code Rule 68, As Amended (2011), Annex 68-C, the Parent Company's retained earnings available for dividend declaration as of December 31, 2014 amounted to ($4.27) million, before the reversal of the appropriated retained earnings, as discussed in Note 34.

19. Cost of Goods Sold and Services

This account consists of:

	2014	2013	2012
Direct, indirect and other material-related costs (Note 7)	**$547,251,922**	$498,220,475	$449,059,291
Direct labor, salaries, wages and employee benefits (Note 25)	**144,418,120**	120,088,886	97,455,209
Depreciation and amortization (Notes 9 and 11)	**18,339,150**	18,709,813	20,465,277
Facilities costs and others (Note 21)	**40,531,872**	40,083,789	37,933,642
	$750,541,064	$677,102,963	$604,913,419

20. Operating Expenses

This account consists of:

	2014	2013	2012
Salaries, wages and employee benefits (Note 25)	**$35,769,440**	$31,856,630	$26,902,826
Depreciation and amortization (Notes 9 and 11)	**4,641,133**	4,150,058	4,911,783
Facilities costs and others (Note 21)	**23,821,906**	19,787,988	17,709,023
	$64,232,479	$55,794,676	$49,523,632

21. Facilities Costs and Others

This account consists of:

	Cost of Goods Sold and Services			Operating Expenses		
	2014	2013	2012	**2014**	2013	2012
Utilities	**$10,863,335**	$11,507,507	$13,408,630	**$845,160**	$1,099,034	$935,136
Variable overhead	**10,085,587**	8,336,469	3,751,925	**–**	–	–
Repairs and maintenance	**8,112,925**	7,319,614	6,249,440	**531,423**	599,233	856,785
Outsourced activities	**7,491,405**	6,533,853	5,139,000	**6,006,755**	5,907,212	5,915,728
Government-related	**1,235,608**	1,312,753	1,132,098	**3,439,593**	3,562,265	1,725,075
Insurance	**692,566**	801,624	758,459	**1,177,782**	1,072,684	948,695
Technology-related	**637,437**	211,685	90,820	**1,361,518**	1,800,141	1,949,604
Staff house	**577,605**	977	841	**346,955**	294,622	325,824
Travel	**545,473**	622,964	1,158,276	**1,906,188**	1,803,638	2,112,897
Postal and communication	**404,019**	322,637	121,147	**867,256**	943,065	986,286
Promotional materials, representation and entertainment	**148,576**	185,416	67,229	**900,744**	821,979	518,765
Membership fees	**2,187**	634	92	**90,386**	89,998	51,453
Provision (reversal of provision) for inventory obsolescence (Note 7)	**–**	220,256	593,469	**3,737,353**	1,902,889	(310,521)
Provision (reversal of provision) for allowance for decline in value of inventories (Note 7)	**–**	(107,131)	–	**84,267**	–	–
Loss (reversal of loss) on purchase commitments	**–**	(51,552)	131,885	**–**	–	–
Sales commission	**–**	–	–	**1,084,492**	731,918	753,667
Provision (reversal of provision) for doubtful accounts (Note 6)	**–**	–	–	**(899,304)**	(103,124)	441,498
Others	**(264,851)**	2,866,083	5,330,331	**2,341,339**	(737,566)	498,131
	$40,531,872	$40,083,789	$37,933,642	**$23,821,907**	$19,787,988	$17,709,023

Others include amortization expense of deferred licensing fee, additional licensing fee, donations, small tools and instruments, spare parts, brokerage charges, freight out, test material, service processing fees, scrap materials, office supplies, copying expenses and impairment loss on machineries and equipment.

22. Interest Expense and Bank Charges

This account consists of:

	2014	2013	2012
Interest expense on loans (Notes 15 and 16)	**$2,517,542**	$2,429,992	$2,795,360
Bank charges	**75,348**	136,697	81,621
Others	**221,913**	313,252	144,492
	$2,814,803	$2,879,941	$3,021,473

Others include interest on finance lease obligations and employees' car and housing loans.

23. Income Tax

Current Tax

Parent Company

The Parent Company is registered with PEZA and is entitled to certain incentives, which include ITH. As of December 31, 2014, there are four remaining project activities with ITH entitlement which will expire in 2017. Under its PEZA registrations, the Parent Company's projects and activities are subject to certain requirements and are entitled to certain incentives, which include, but are not limited to, Income Tax Holiday (ITH) and tax and duty free importation of inventories and capital equipment. Upon the expiration of the ITH, the Parent Company will be subject to a 5% tax on gross income earned after certain allowable deductions provided under Republic Act (R.A. No. 7916 (otherwise known as the "Special Economic Zone Act of 1995"), in lieu of payment of national and local taxes. Income from other income-producing activities that are not registered with PEZA is subject to regular corporate income tax (RCIT) rate of 30%.

IMICD, SZSTE, STCQ and STJX

In accordance with the "Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises," the subsidiaries in the PRC are entitled to full exemption from Enterprise Income Tax (EIT) for the first two years and a 50% reduction in EIT for the next three years, commencing from the first profitable year after offsetting all tax losses carried forward from the previous five years.

IMICD is subject to taxation at the statutory rate of 25% in 2014, 2013 and 2012 on its taxable income as reported in the financial statements. With effect from year 2008, the China authority ceased the incentive of preferential tax treatment for enterprises with foreign investment and foreign enterprises.

SZSTE is subject to taxation at the statutory tax rate of 25% in 2014, 2013 and 2012 on its taxable income as reported in the financial statements of SZSTE prepared in accordance with the accounting regulations in the PRC.

STCQ is entitled to full exemption from EIT for the first five years, commencing from the first profitable year in 2008, that is, after all tax losses have been fully offset in accordance with the "Income Tax Law of PRC for Enterprises with Foreign Investment and Foreign Enterprises."

STJX is entitled to full exemption from EIT for the first two years and a 50% reduction in EIT for the next three years, commencing from the first profitable year after all tax losses have been fully offset in accordance with the "Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises." STJX is in its eighth profitable year, and hence, is subject to taxation at the rate of 25% in 2014, 2013 and 2012 on the taxable income as reported in the financial statements of STJX prepared in accordance with the accounting regulations in the PRC.

STHK and Monarch

Hong Kong profits tax has been provided at the rate of 16.5% in 2014, 2013 and 2012 on the assessable profit for the year.

Cooperatief

Taxation is calculated on the reported pre-tax result, at the prevailing tax rate of 25%, taking into account any losses carried forward from previous financial years (if applicable), tax-exempt items and nondeductible expenses, and using tax facilities.

IMI BG

Income taxes are calculated in accordance with Bulgarian legislation, and the effect of the current and deferred taxes is reported. The current tax is calculated based on the taxable income for tax purposes. The nominal tax rate in 2014, 2013 and 2012 is 10%.

IMI CZ
Income tax due is calculated by multiplying the tax base by the rate as defined by the income tax law of Czech Republic. The tax base comprises the book income from operations, which is increased or decreased by permanently or temporarily tax-decreasing costs and tax-deductible revenues (for example, creation and recording of other provisions and allowances, entertainment expenses, difference between book and tax depreciations). The applicable tax rate in 2014, 2013 and 2012 is 19%.

IMI MX
IMI MX is subject to Income Tax and the Business Flat Tax. These taxes are recorded in profit or loss in the year they are incurred. Income tax rate in 2014, 2013 and 2012 is 30%. Business Flat Tax is calculated on a cash flow basis whereby the tax base is determined by reducing taxable income with certain deductions and credits. The applicable Business Flat Tax rate is 17.5%.

Income tax incurred will be the higher of Income Tax and Business Flat Tax.

IMI France
Income tax is computed based on the income earned by the entity during the calendar year. Losses may be carried forward with no time limit. On certain conditions, losses may be carried back one year. The tax rate applicable in 2014, 2013 and 2012 is 33% based on net income.

PSi
As a PEZA-registered entity, PSi is subject to a 5% tax on gross income less allowable deductions, as defined in R.A. No. 7916, as amended by R.A. No. 8748, in lieu of all national and local taxes, except real property tax on land being leased by PSi in Food Terminal, Inc (FTI) - Special Economic Zone and Carmelray Industrial Park II. The 5% tax on gross income shall be paid and remitted as follows: (a) 3% to the National Government; and (b) 2% to the treasurer's office of the municipality or city where the enterprise is located. Income from other income-producing activities that are not registered with PEZA is subject to RCIT rate of 30%.

As at December 31, 2014, there were no PEZA registered activities with ITH entitlement.

Deferred Tax
Recognized deferred taxes of the Group relate to the tax effects of the following:

	2014	2013
Deferred tax assets:		
Revaluation of property, plant and equipment of subsidiaries	**$791,804**	$444,245
Allowance for inventory obsolescence	**511,499**	75,134
Allowance for doubtful accounts	**361,870**	15,366
Others	**66,483**	109,798
	$1,731,656	$644,543
Deferred tax liabilities:		
Revaluation of property, plant and equipment and intangibles of subsidiaries	**$1,434,399**	$1,646,260
Unrealized foreign exchange gain on monetary assets - net	**–**	62,412
Accelerated depreciation	**–**	202,052
Others	**–**	1,181,166
	$1,434,399	$3,091,890

PSi has unrecognized deferred tax assets as of December 31, 2014 and 2013, and IMI CZ has unrecognized deferred tax assets as of December 31, 2013.

PSi
As of December 31, 2014 and 2013, the temporary differences for which no deferred tax assets have been recognized are as follows:

	2014	2013
Accumulated impairment losses on property, plant and equipment	**$9,695,203**	$9,740,318
Advances from customer	**1,742,329**	2,029,897
Excess of:		
Cost over NRV of inventories	**1,164,694**	1,733,928
Rent expense under operating lease arrangement computed on a straight-line basis over the amount computed based on lease agreement	**480,695**	443,027
Accrued retirement benefits obligation	**1,275,339**	1,247,677
Allowance for doubtful accounts	**376,222**	441,165
	$14,734,482	$15,636,012

IMI CZ
As of December 31, 2013, the temporary differences and tax losses for which no deferred tax assets have been recognized are as follows:

Tax losses	$3,175,932
Noncurrent assets	1,294,737
Provisions	421,053
Excess of cost over NRV of inventories	184,211
Allowance for doubtful accounts	31,579
	$5,107,512

Deferred tax assets are recognized only to the extent that sufficient future taxable profits will be available against which the deferred tax assets can be used. PSi will reassess the unrecognized deferred tax assets to the extent that it has become probable that sufficient future taxable profits would allow the deferred tax assets to be recovered.

As of December 31, 2014 and 2013, deferred tax liabilities have not been recognized on the undistributed earnings of subsidiaries since the timing of the reversal of the temporary difference can be controlled by the Group and management does not expect the reversal of the temporary differences in the foreseeable future.

The effective income tax of the Group is as follows:

	2014	2013	2012
Income before income tax	**$35,191,291**	$13,723,319	$4,891,736
Tax on:			
Income from foreign subsidiaries	**7,502,756**	4,348,720	3,820,307
Income subject to 5% gross income tax	**1,173,753**	979,448	831,774
Income subject to RCIT	**217,976**	51,629	35,497
Others	**33,274**	28,843	–
Current income tax expense	**8,927,759**	5,408,640	4,687,578
Deferred income tax benefit	**(2,727,851)**	(881,359)	(728,268)
Effective income tax	**$6,199,908**	$4,527,281	$3,959,310

The tax on income from foreign subsidiaries was derived by aggregating the effective income tax for each national jurisdiction.

The reconciliation of the statutory income tax rate to the effective income tax rate of the Group follows:

	2014	2013	2012
Statutory income tax	**30.00%**	30.00%	30.00%
Tax effects of:			
Nondeductible expenses	**59.96%**	39.98%	109.42%
Income subject to gross income tax	**(14.49%)**	(25.82%)	(13.76%)
Difference in tax jurisdiction	**(54.04%)**	(10.80%)	(42.19%)
Income subject to ITH	**(3.79%)**	(0.28%)	(1.65%)
Interest income subjected to final tax	**(0.02%)**	(0.09%)	(0.88%)
Provision for income tax	**17.62%**	32.99%	80.94%

24. Earnings per Share (EPS)

The following table presents information necessary to calculate EPS on net income attributable to equity holders of the Parent Company:

	2014	2013	2012
Net income	**$29,117,024**	$10,472,995	$5,584,613
Less dividends on preferred stock (Note 18)	**851,495**	871,089	2,665,497
	$28,265,529	$9,601,906	$2,919,116
Weighted average number of common shares outstanding	**1,632,132,778**	1,616,151,239	1,621,760,776
Basic and diluted EPS	**$0.017**	$0.006	$0.002

As of December 31, 2014, 2013 and 2012, the Group has no dilutive potential common shares.

25. Personnel Costs

Salaries, wages, and employee benefits follow:

	2014	2013	2012
Salaries and benefits	**$130,621,781**	$114,869,711	$108,920,744
Retirement expense under defined contribution plans	**5,649,301**	4,607,873	2,575,242
Social security costs	**2,357,681**	2,727,124	1,375,183
Net retirement expense under defined benefit plans	**2,061,727**	1,682,245	2,199,943
Others	**39,497,070**	28,058,563	9,286,923
	$180,187,560	$151,945,516	$124,358,035

Others include expenses for subcontracting costs, leave benefits, training and seminars, employee social and recreation, bonuses, Pag-ibig premium, health premium, employee insurance expenses, and other employee benefits.

Salaries, wages, and employee benefits are allocated as follows:

	2014	2013	2012
Cost of goods sold and services (Note 19)	**$144,418,120**	$120,088,886	$97,455,209
Operating expenses (Note 20)	**35,769,440**	31,856,630	26,902,826
	$180,187,560	$151,945,516	$124,358,035

Defined Benefit Plans

The Parent Company, PSi and IMI BG have defined benefit plans covering substantially all of their employees. The latest actuarial valuations were made on December 31, 2014.

The plan is administered by local banks as trustees. The Board of Trustees is responsible for the investment direction of the assets. It defines the investment strategy as often as necessary, at least annually, especially in the case of significant market developments or changes to the structure of the plan participants. When defining the investment strategy, it takes into account the plan's objectives, benefit obligations and risk capacity. The investment strategy is defined in the form of a long-term target structure (investment policy). The Board of Trustees delegates the implementation of the investment policy in accordance with the investment strategy, as well as various principles and objectives to an Investment Committee, which also consists of members of the Board of Trustees, and the Treasurer. The Treasurer oversees the entire investment process.

The defined benefit plans of the Parent Company and PSi meet the minimum retirement benefit specified under R.A. No. 7641, *Retirement Pay Law*.

The Group has net retirement liabilities attributable to the following:

	2014	2013
Parent Company	**$3,042,606**	$5,111,162
PSi	**1,275,339**	1,247,677
IMI BG	**393,606**	383,969
	$4,711,551	$6,742,808

Parent Company, PSi and IMI BG

Changes in net retirement liabilities of the Parent Company, PSi and IMI BG's defined benefit plans as of December 31, 2014 and 2013 are as follows:

		December 31, 2014											
		Net Retirement Expense					**Remeasurements**						
	January 1, 2014	**Current Service Cost**	**Net Interest**	**Loss on Curtailments and Settlements**	**Subtotal**	**Separation and Benefits Paid**	**Return on Plan Assets (Excluding Amount Included in Net Interest)**	**Actuarial Changes Due to Experience Adjustments**	**Actuarial Changes Due to Demographic Assumptions**	**Actuarial Changes Arising from Changes in Financial Assumptions**	**Subtotal**	**Foreign Currency Exchange Difference**	**December 31, 2014**
Present value of defined benefit obligation	**$19,524,484**	**$1,721,912**	**$1,020,869**	**$2,557**	**$2,745,338**	**($662,992)**	**$–**	**($489,178)**	**$–**	**($3,156,851)**	**($3,646,029)**	**($141,443)**	**$17,819,358**
Fair value of plan assets	**(12,781,676)**	**–**	**(683,611)**	**–**	**(683,611)**	**–**	**261,520**	**–**	**–**	**–**	**261,520**	**95,960**	**(13,107,807)**
Net retirement liabilities	**$6,742,808**	**$1,721,912**	**$337,258**	**$2,557**	**$2,061,727**	**($662,992)**	**$261,520**	**($489,178)**	**$–**	**($3,156,851)**	**($3,384,509)**	**($45,483)**	**$4,711,551**

		December 31, 2013											
		Net Retirement Expense					Remeasurements						
	January 1, 2013	Current Service Cost	Net Interest	Loss on Curtailments and Settlements	Subtotal	Separation and Benefits Paid	Return on Plan Assets (Excluding Amount Included in Net Interest)	Actuarial Changes Due to Experience Adjustments	Actuarial Changes Due to Demographic Assumptions	Actuarial Changes Arising from Changes in Financial Assumptions	Subtotal	Foreign Currency Exchange Difference	December 31, 2013
Present value of defined benefit obligation	$15,332,280	$1,385,637	$842,341	$202,918	$2,430,896	($1,286,407)	$–	$221,801	$–	$4,173,837	$4,395,638	($1,347,923)	$19,524,484
Fair value of plan assets	(12,989,255)	–	(748,651)	–	(748,651)	–	(55,801)	–	–	–	(55,801)	1,012,031	(12,781,676)
Net retirement liabilities	$2,343,025	$1,385,637	$93,690	$202,918	$1,682,245	($1,286,407)	($55,801)	$221,801	$–	$4,173,837	$4,339,837	($335,892)	$6,742,808

The maximum economic benefit available is a contribution of expected refunds from the plans and reductions in future contributions.

The distribution of the plan assets as of December 31, 2014 and 2013 follows:

	2014	2013
Government securities	**$7,449,068**	$6,559,361
Trust funds	**1,564,730**	2,375,637
Cash and cash equivalents	**1,472,042**	39,285
Mutual funds	**1,281,587**	–
Investment properties	**473,614**	477,081
Corporate bonds	**466,451**	1,910,082
Equities	**264,870**	262,169
Liabilities	**(13,210)**	(12,896)
Loans	**–**	1,157,758
Others	**148,655**	13,199
	$13,107,807	$12,781,676

The plan assets include shares of stock, corporate bonds and deposit instruments of related parties, primarily AC, Ayala Land, Inc. (ALI) and Bank of the Philippine Islands (BPI) as follows:

	December 31, 2014			
	Equity Securities	**Debt Securities**	**Other Securities**	**Total**
Fair Value				
AC shares/bonds	**$294,002**	**$–**	**$–**	**$294,002**
BPI shares/bonds	**–**	**–**	**1,312,490**	**1,312,490**
ALI shares/bonds	**–**	**33,809**	**–**	**33,809**
	$294,002	**$33,809**	**$1,312,490**	**$1,640,301**
Carrying Value				
AC shares/bonds	**$290,698**	**$–**	**$–**	**$290,698**
BPI shares/bonds	**–**	**–**	**1,258,816**	**1,258,816**
ALI shares/bonds	**–**	**33,542**	**–**	**33,542**
	$290,698	**$33,542**	**$1,258,816**	**$1,583,056**
Unrealized Gain				
AC shares/bonds	**$3,304**	**$–**	**$–**	**$3,304**
BPI shares/bonds	**–**	**–**	**53,674**	**53,674**
ALI shares/bonds	**–**	**267**	**–**	**267**
	$3,304	**$267**	**$53,674**	**$57,245**

	December 31, 2013			
	Equity Securities	Debt Securities	Other Securities	Total
Fair Value				
AC shares/bonds	$–	$296,154	$–	$296,154
BPI shares/bonds	–	–	688,415	688,415
	$–	$296,154	$688,415	$984,569
Carrying Value				
AC shares/bonds	$–	$292,826	$–	$292,826
BPI shares/bonds	–	–	761,311	761,311
	$–	$292,826	$761,311	$1,054,137
Unrealized Gain (Loss)				
AC shares/bonds	$–	$3,328	$–	$3,328
BPI shares/bonds	–	–	(72,896)	(72,896)
	$–	$3,328	($72,896)	($69,568)

The plan assets pertain to diverse investments and do not have any concentration risk.

The overall investment policy and strategy of the Group's defined benefit plans are guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay retirement benefits as they fall due while also mitigating the various risk of the plans.

The Group expects to contribute $1.06 million to the defined benefit plans for 2015.

The average duration of net retirement liabilities at the end of the balance sheet date is 20.20 to 22.70 years as of December 31, 2014 and 20.30 to 23.40 years as of December 31, 2013.

Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2014 and 2013:

	2014	2013
Less than one year	**$569,329**	$353,524
More than one year to five years	**4,657,600**	4,038,337
More than five years to ten years	**7,072,904**	8,022,660
More than ten years to fifteen years	**13,219,880**	15,475,297
More than fifteen years	**97,474,821**	138,444,720
	$122,994,534	$166,334,538

Principal actuarial assumptions
The principal actuarial assumptions used to determine retirement benefits are shown below:

	2014	2013
Discount rate	**4.63% - 4.66%**	3.5% - 5.35%
Turnover rate	**3.07% - 12.75%**	0.62% - 27.94%
Salary increase rate	**4.00% - 5.00%**	5.00% - 6.00%

The sensitivity analysis per entity below has been determined based on reasonably possible changes of each significant assumption on the net retirement liabilities as of the end of the balance sheet date, assuming all other assumptions were held constant:

<u>Parent Company</u>

Actuarial Assumption	Increase/ Decrease in Actuarial Assumption	Effect on Net Retirement Liability **2014**	Effect on Net Retirement Liability 2013
Discount rate	+1%	**($2,125,845)**	($2,588,120)
	-1%	**2,580,695**	3,176,164
Turnover rate	+2%	**(845,172)**	(1,413,062)
	-2%	**975,358**	1,689,994
Salary increase rate	+1%	**2,515,713**	3,060,944
	-1%	**(2,104,644)**	(2,539,743)

PSi

Actuarial Assumption	Increase/ Decrease in Actuarial Assumption	Effect on Net Retirement Liability 2014	2013
Discount rate	+1%	**($181,336)**	($192,699)
	-1%	**221,637**	233,053
Turnover rate	+2%	**(45,616)**	(46,143)
	-2%	**51,406**	52,062
Salary increase rate	+1%	**209,182**	213,220
	-1%	**(176,886)**	(179,998)

IMI BG

Actuarial Assumption	Increase/ Decrease in Actuarial Assumption	Effect on Retirement Liability 2014	2013
Discount rate	+1%	**($22,607)**	($23,280)
	-1%	**24,663**	25,400
Turnover rate	+2%	**(45,900)**	(47,270)
	-2%	**43,845**	45,150
Salary increase rate	+1%	**17,127**	17,640
	-1%	**(17,127)**	(17,640)

The mortality rate in 2014 and 2013 is based on the 1994 Group Annuity Mortality for the Parent Company and PSi. Meanwhile, IMI BG used the table for mortality and average life continuance population in the period 2008-2010 from National Statistical Institute (of Bulgaria) for 2014 and 2013.

The net retirement expense of the Parent Company, PSi and IMI BG under the defined benefit plans is allocated as follows:

	2014	2013	2012
Cost of goods sold and services	**$1,654,285**	$1,126,038	$1,110,290
Operating expenses	**407,442**	556,207	1,089,653
	$2,061,727	$1,682,245	$2,199,943

Defined Contribution Plans
The Parent Company's subsidiaries, excluding PSi and IMI BG, participate in their respective national retirement schemes which are considered as defined contribution plans. The retirement expense of these subsidiaries is allocated as follows:

	2014	2013	2012
Cost of goods sold and services	**$4,652,375**	$3,568,458	$1,954,417
Operating expenses	**996,926**	1,039,415	620,825
	$5,649,301	$4,607,873	$2,575,242

26. **Employee Stock Ownership Plan (ESOWN)**

The Group has an ESOWN, which is a privilege extended to the Group's eligible managers and staff whereby the Group allocates up to 10% of its authorized capital stock for subscription by said personnel under certain terms and conditions stipulated in the ESOWN. Under the ESOWN, for as long as the Group remains privately-owned, the subscription price of the shares granted shall be determined based on the multiples of net book value, EBITDA and net income of ten comparable Asian EMS companies as at the close of the calendar year prior to the grant. Once the Parent Company becomes publicly listed, the subscription price per share shall be based on market price with a discount to be determined by the Compensation Committee of the Parent Company at the date of grant.

To subscribe, the grantee must be an eligible participant as defined in the ESOWN. However, should the grantee cease to be employed by or connected with the Group before the full payment is made for the subscribed shares, the remaining balance becomes due and demandable upon separation, except for special circumstances as provided for by the ESOWN. In such instances, the grantee/heirs may be allowed to continue paying for the balance for the duration of the original payment period. If the grantee is separated for cause, shares not fully paid will be forfeited and whatever the amount the grantee has partially paid will be returned to him with no interest; if fully paid prior to separation, the shares shall be subject to the Right to Repurchase. If the grantee separates voluntarily, fully vested but not fully paid shares may be paid for in full upon separation subject to Right to Repurchase; and payments made for subscribed shares up to the time of separation may be converted into the equivalent number of shares based on the stipulated subscription price when the shares were availed of. If the grantee separates involuntarily, shares not fully paid for, whether fully vested or not, may be paid for in full within ninety days from separation subject to the Right to Repurchase; and payments made for subscribed shares up to the time of separation may be converted into the equivalent number of shares based on the stipulated subscription price.

A subscription is declared delinquent when the minimum payment required remains unpaid one month after the due date. Any cash dividend of a delinquent subscription will be applied to pay the subscription due. Stock dividends paid while the subscription is delinquent will only be released to the grantee when the delinquent account is paid. If sixty days after the due date and account is still delinquent, the remaining shares are forfeited and the employee will not be eligible for future ESOWN grants.

On February 21, 2007, the Parent Company's BOD approved the granting of 45,150,000 shares of the Parent Company under the ESOWN at the subscription price of ₱12.50 to various employees of STEL and to the Parent Company's top performers and key personnel. In 2008, additional 1,539,000 shares were granted to STEL and to the Parent Company's top performers and key personnel subject to the same terms as the shares subscribed in 2007. All the granted shares have been subscribed. The grantees will pay for the shares subscribed through installments over a period of eight years, wherein an initial payment of 2.5% of the value of the subscribed shares is payable upon subscription. It shall serve as a down payment for the subscription. The subscribed shares have a holding period as follows: (a) 40% after one year from subscription date; (b) 30% after two years from subscription date; and (c) 30% after three years from subscription date. The actual grant date of the above two grants was on October 15, 2007. The fair value, determined based on a private bank's valuation of the Parent Company to be used by a potential investor, was ₱14.98 per share. The difference between the fair value and the subscription price will be recognized as employee benefit expense over the required service period. In 2008, management has approved a 2-year moratorium on the scheduled payments due in 2008 and 2009, which resulted in an extension of the payment period from eight to ten years. This extension resulted in a net reversal of accretion amounting to $0.25 million in 2009. The outstanding shares under this grant have fully vested in September 2010.

On December 14, 2009, the Chairman of the Parent Company's BOD approved the terms for granting 30,885,000 shares of the Parent Company under ESOWN at the subscription price of ₱5.54 per share to various employees of the Group. The grant date was on January 21, 2010. The payment scheme and holding period for this grant are similar to the grant in 2007. The fair value per share used in valuing the grant is ₱9.30, which is the closing price of the Parent Company's stock at the PSE at the date of grant.

On October 13, 2014, the Executive Committee of the BOD of the Parent Company approved the grant of stock options to qualified executives covering up to 35,900,000 shares at a subscription price of ₱5.91 per share, equivalent to the average closing price of the Parent Company's common shares, at the PSE for 20 consecutive trading days ending September 24, 2014, net of 15% discount. Out of the total shares granted, 31,797,958 shares were subscribed by 38 executives of the Group, of which 7,821,848 shares are from unissued shares and 23,976,110 shares were issued from ESOWN Trust Account where all the previously cancelled ESOWN subscriptions were held. The payment scheme and holding period for this grant are similar to the grant in 2007. The fair value of stock options granted in 2014 is estimated at the date of grant using the Black-Scholes Melton Formula, taking into account the terms and conditions upon which the stock options were granted. The expected volatility was determined based on an independent valuation.

Movements in the number of shares outstanding under ESOWN in 2014, 2013 and 2012 follow:

	2014		2013		2012	
	Number of Shares	**Weighted Average Exercise Price**	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Balances at January 1	**107,380,812**	**₱6.95**	110,405,814	₱6.95	116,250,309	₱6.95
Forfeitures	**(3,276,342)**	**6.95**	(3,025,002)	6.95	(5,844,495)	6.95
Subscriptions	**31,797,958**	**5.91**	–	–	–	–
Balances at December 31	**135,902,428**	**₱6.71**	107,380,812	₱6.95	110,405,814	₱6.95

The balance of the subscriptions receivable amounted to $12.91 million, $9.59 million and $9.65 million as of December 31, 2014, 2013 and 2012, respectively (see Note 18).

The share option expense amounted to $0.17 million, $0.01 million and $0.07 million in 2014, 2013 and 2012, respectively. The accretion is recognized as an increase in "Subscriptions receivable" account and "Additional paid-in capital" account presented in the consolidated statements of changes of equity amounted to $0.08 million, $0.80 million and $0.68 million for the years ended December 31, 2014, 2013 and 2012, respectively (see Note 18).

27. Segment Information

Management monitors operating results per geographical area (with the Philippine operations further subdivided into the Parent Company and PSi) for the purpose of making decisions about resource allocation and performance assessment. It evaluates the segment performance based on gross revenue, interest income and net income before and after tax.

No operating segments have been aggregated to form a reportable segment.

Intersegment revenue is generally recorded at values that approximate third-party selling prices.

The following tables present revenue and profit information regarding the Group's geographical segments per legal entity's location for the years ended December 31, 2014, 2013 and 2012:

December 31, 2014	Philippines		Singapore/ China	Europe/ Mexico	USA	Japan	Consolidation and Eliminations	Total
	Parent Company	PSi						
Revenue:								
Third party	$204,940,387	$44,932,489	$325,647,491	$268,589,961	$354,090	$9,651	$–	$844,474,069
Intersegment	200,256	–	4,362,775	213,415	2,944,034	911,822	(8,632,302)	–
Total revenue	$205,140,643	$44,932,489	$330,010,266	$268,803,376	$3,298,124	$921,473	($8,632,302)	$844,474,069
Segment interest income	$801,508	$1,657	$348,410	$1,501	$–	$29	($956,834)	$196,271
Segment interest expense	$1,512,464	$604,941	$191,172	$1,459,203	$2,808	$1,049	($956,834)	$2,814,803
Segment profit (loss) before income tax	($5,175,103)	($1,213,530)	$22,615,459	$21,888,073	($3,545,872)	($961,743)	$1,584,007	$35,191,291
Segment provision for income tax	(1,122,750)	(121,146)	(4,376,209)	(579,223)	–	(580)	–	(6,199,908)
Segment profit (loss) after income tax	($6,297,853)	($1,334,676)	$18,239,250	$21,308,850	($3,545,872)	($962,323)	$1,584,007	$28,991,383
Net income (loss) attributable to the equity holders of the Parent Company	($6,297,853)	($1,173,942)	$18,220,367	$21,292,640	($3,545,872)	($962,323)	$1,584,007	$29,117,024

December 31, 2013	Philippines		Singapore/ China	Europe/ Mexico	USA	Japan	Consolidation and Eliminations	Total
	Parent Company	PSi						
Revenue:								
Third party	$188,897,145	$43,084,648	$276,522,656	$235,808,946	$372,446	$346,022	$–	$745,031,863
Intersegment	261,711	–	4,649,240	–	2,441,304	808,165	(8,160,420)	–
Total revenue	$189,158,856	$43,084,648	$281,171,896	$235,808,946	$2,813,750	$1,154,187	($8,160,420)	$745,031,863
Segment interest income	$597,797	$1,845	$149,569	$1,228	$–	$33	($531,895)	$218,577
Segment interest expense	$1,491,504	$426,845	$4,388	$1,489,099	$–	$–	($531,895)	$2,879,941
Segment profit (loss) before income tax	$323,200	($4,833,528)	$4,130,632	$14,490,095	($378,217)	($8,863)	$–	$13,723,319
Segment provision for income tax	(488,473)	(51,629)	(2,193,264)	(1,793,245)	–	(670)	–	(4,527,281)
Segment profit (loss) after income tax	($165,273)	($4,885,157)	$1,937,368	$12,696,850	($378,217)	($9,533)	$–	$9,196,038
Net income (loss) attributable to the equity holders of the Parent Company	($165,273)	($3,514,442)	$1,855,675	$12,684,785	($378,217)	($9,533)	$–	$10,472,995

December 31, 2012	Philippines		Singapore/ China	Europe/ Mexico	USA	Japan	Consolidation and Eliminations	Total
	Parent Company	PSi						
Revenue:								
Third party	$156,419,891	$45,598,208	$276,656,630	$182,233,202	$457,897	$483,894	$–	$661,849,722
Intersegment	2,661,999	–	3,859,491	–	2,695,395	908,796	(10,125,681)	–
Total revenue	$159,081,890	$45,598,208	$280,516,121	$182,233,202	$3,153,292	$1,392,690	($10,125,681)	$661,849,722
Segment interest income	$469,490	$2,858	$125,175	$5,312	$–	$57	($335,800)	$267,092
Segment interest expense	$1,197,181	$323,317	$419,371	$1,414,671	$1,945	$788	($335,800)	$3,021,473
Segment profit (loss) before income tax	$2,213,487	($10,047,323)	$8,927,378	$8,146,233	($3,573,159)	($774,880)	$–	$4,891,736
Segment provision for (benefit from) income tax	(697,757)	(42,271)	(2,677,956)	(540,396)	–	(930)	–	(3,959,310)
Segment profit (loss) after income tax	$1,515,730	($10,089,594)	$6,249,422	$7,605,837	($3,573,159)	($775,810)	$–	$932,426
Net income (loss) attributable to the equity holders of the Parent Company	$1,515,730	($5,179,081)	$6,006,086	$7,590,847	($3,573,159)	($775,810)	$–	$5,584,613

Intersegment revenues, cost of sales, and operating expenses are eliminated on consolidation.

The operating income and profit before and after income tax for each operating segment includes net profit from intersegment revenues aggregating to $8.63 million in 2014, $8.83 million in 2013 and $10.13 million in 2012, intersegment cost of sales of $0.20 million in 2014, $0.26 million in 2013 and $2.66 million in 2012, and intersegment operating expenses aggregating to $8.22 million in 2014, $8.57 million in 2013 and $7.47 million in 2012.

The following table presents segment assets of the Group's geographical segments as of December 31, 2014 and 2013:

Segment assets	Philippines		Singapore/ China	Europe/ Mexico	USA	Japan	Consolidation and Eliminations	Total
	Parent Company	PSi						
2014	**$297,116,764**	**$19,378,617**	**$252,990,711**	**$163,223,097**	**$1,436,835**	**$859,846**	**($182,298,463)**	**$552,707,407**
2013	$267,859,850	$19,874,062	$231,552,717	$154,806,540	$1,610,978	$907,105	($188,382,436)	$488,228,816

Segments assets do not include investments in subsidiaries and intersegment receivables amounting to $124.15 million and $58.01 million as of December 31, 2014, respectively, and $132.55 million and $63.17 million as of December 31, 2013, respectively. These are eliminated in consolidation.

Goodwill arising from the acquisition of STEL Group, IMI USA and IMI CZ amounting to $45.13 million, $0.66 million, and $0.65 million, respectively, are recognized at consolidated level for both years ended December 31, 2014 and 2013. Goodwill arising from the acquisition of PSi amounting to nil and $7.48 million for the years ended December 31, 2014 and 2013, respectively, is also recognized at consolidated level.

The following table presents revenues from external customers based customer's nationality:

	2014	2013	2012
Europe	**$418,391,628**	$379,465,943	$331,594,548
America	**208,581,244**	222,740,713	203,910,809
Japan	**71,620,075**	68,075,201	59,738,507
Rest of Asia/Others	**145,881,122**	74,750,006	66,605,858
	$844,474,069	$745,031,863	$661,849,722

Revenues are attributed to countries on the basis of the customer's location. Certain customers that are independent of each other but within the same group account for 12.63%, 13.51% and 11.55% of the Group's total revenue in 2014, 2013 and 2012, respectively.

The following table presents revenues per product type:

	2014	2013	2012
Automotive	**$320,532,486**	$278,269,042	$207,949,017
Telecommunication	**176,669,820**	134,748,260	127,027,324
Industrial	**106,273,619**	108,412,410	111,465,781
Consumer	**101,939,801**	104,083,799	107,307,549
Multiple market	**66,556,982**	56,873,912	55,526,158
Computer peripherals	**49,137,199**	37,841,556	22,085,306
Medical	**23,364,162**	24,802,884	30,488,587
	$844,474,069	$745,031,863	$661,849,722

The following table presents noncurrent assets based on their physical location:

	2014	2013
Europe	**$25,996,998**	$27,500,455
America	**16,431,213**	12,091,701
Japan	**22,596**	14,213
Rest of Asia/Others	**90,116,081**	105,264,606
	$132,566,888	$144,870,975

Noncurrent assets include property, plant and equipment, goodwill, and intangible assets.

The following table presents the depreciation and amortization expense based on their physical location:

	2014	2013	2012
Europe	**$5,800,582**	$5,156,046	$4,138,600
America	**1,611,235**	1,318,224	999,509
Japan	**2,474**	2,550	3,196
Rest of Asia/Others	**15,565,991**	16,383,051	20,235,755
	$22,980,282	$22,859,871	$25,377,060

28. **Lease Commitments**

Operating Lease Commitments - Group as Lessor
STEL entered into lease contracts on its leasehold building. These non-cancellable lease contracts have remaining lease terms ranging from one to five years. However, on August 27, 2014, STEL entered into an agreement relating to the sale and purchase of the said building with DBSTL.

STEL also entered into a lease contract with Manila Water Asia Pacific Pte Ltd (MWAP), an affiliate, for the lease of office premises. The lease shall be for a period of one year, commencing on June 1, 2013 up to May 31, 2014. Monthly rental rate amounts to $1,040.

The rental income recognized by STEL amounted to $1.26 million, $1.08 million and $0.57 million in 2014, 2013 and 2012, respectively.

The future minimum rental receivable of the Group as of December 31, 2013 is as follows:

Within one year	$1,234,000
More than one year but less than five years	1,617,000
	$2,851,000

Operating Lease Commitments - Group as Lessee
Parent Company
The Parent Company entered into a lease contract with Technopark Land, Inc. (TLI), an affiliate, for the lease of parcels of land situated at the Special Export Processing Zone, Laguna Technopark, Biñan, Laguna. The lease shall be for a period of three years, commencing on January 2, 2012 up to December 31, 2014, renewable at the option of the Parent Company upon such terms and conditions, and upon such rental rates as the parties may agree upon at the time of the renewal, taking into consideration comparable rental rates for similar properties prevailing at the time of renewal. The Parent Company shall pay monthly rental of ₱81,796 for 2012, ₱92,964 for 2013 and ₱105,778 for 2014. The Parent Company shall advise TLI in writing, at least sixty days before the expiration of the term, of its desire to renew the lease contract, which TLI may consider upon such terms and conditions as may be agreed between the parties.

On December 20, 2013, an amendment to the lease contract was executed modifying the terms as follows:

- The lease shall be effective from January 2, 2014 up to December 31, 2016; and
- The Parent Company shall pay monthly rental of ₱4,133,853.

IMI Singapore and STEL Group
IMI Singapore and STEL Group have various operating lease agreements in respect of office premises and land. These non-cancellable lease contracts have remaining non-cancellable lease terms of between one to thirty-eight years. Most of the lease contracts of IMI Singapore and STEL

Group contain renewable options. There are no restrictions placed upon the lessee by entering into these leases.

On August 27, 2014, STEL entered into an agreement related to the sale and leaseback of the building with DBSTL, in its capacity as trustee of SBSR (see Note 9). The existing light industrial building is sited on a land area of 3,993 square meters and is held under lease issued by JTC for a term of 30 years from May 1, 2000 with a covenant by JTC to grant further term of 20 years subject to the terms and conditions of the lease.

The transaction was completed on December 23, 2014 with the approval of JTC for DBSTL to takeover the lease of STEL with JTC. Pursuant to a Lease Agreement, DBSTL will lease the Property to STEL for a term of ten years.

IMI Japan
On February 15, 2010, IMI Japan entered into a 2-year lease contract with Kabushikigaisha Tokyu Community for the lease of office premises located in Nagoya, whereby it is committed to pay a monthly rental of ¥245,490, and monthly maintenance fee of ¥35,070, inclusive of tax. The lease contract provides for the automatic renewal of the lease contract, unless prior notice of termination is given to the lessor. On February 15, 2012, IMI Japan renewed its lease contract for another two years.

IMI USA
On July 17, 2008, IMI USA entered into a 7-year lease contract with Roy G.G. Harris and Patricia S. Harris for the lease of office premises commencing in August 2008 up to November 2014. The lease contract contains provisions including, but not limited to, an escalation rate of 3% per year and early termination penalties. The lease provides for monthly rental payment of $13,464 during the first year of the lease term.

On January 28, 2010, IMI USA entered into a 6-year lease contract with Fremont Ventures, LLC commencing two months from the issuance of building permit or maximum of three months, if Fremont caused the delay. The base monthly rental rate is $3,687 on the first six months with an escalation every eleven months, as stated in the lease contract. Average monthly rental rate amounts to $9,523.

PSi
PSi has a cancellable 15-year operating lease agreement with FTI for its plant facilities, office spaces and other facilities, with Lot Nos. 92-A and 92-B commencing on August 15, 2004 up to August 14, 2019. The operating lease agreement with FTI provides for a 5% increase in rental per year starting on the second year and annually thereafter until the end of the lease term.

PSi leases its plant facilities, office spaces and other facilities in Calamba, Laguna from Centereach Resources, Inc. (CRI), an unrelated entity. The operating lease agreement will expire in March 2018.

In 2012, the operating lease agreement for the second facility was executed between CRI and PSi for office and warehouse use. The operating lease agreement commenced on October 13, 2012 and will expire on October 12, 2015.

The operating lease agreements with CRI provides for the increase in rental at varying rates over the term of the lease and the penalty interest rate of 3% per month using simple interest.

The aggregate rental expense of the Group, recognized on these operating lease commitments, are included in "Facilities costs and others - Outsourced activities" account under "Cost of goods sold and services" and "Operating expenses" accounts in the consolidated statements of income, amounted to $5.29 million in 2014, $3.47 million in 2013, and $1.14 million in 2012 (see Note 21).

Future minimum rentals payable under operating leases of the Group as of December 31, 2014 and 2013 follow:

	2014	2013
Within one year	**$4,808,220**	$4,076,629
After one year but not more than five years	**11,557,249**	7,769,489
More than five years	**8,205,592**	2,580,123
	$24,571,061	$14,426,241

Finance Lease Commitments - Group as Lessee

IMI BG

IMI BG has various finance lease contracts with Interlease AD and UniCredit Leasing AD related to its machinery and production equipment with terms of three to five years and final repayment dates between 2014 and 2018. These leases are subject to interest rates of 3-month EURIBOR plus 2% to 4% per annum.

IMI CZ

IMI CZ has various finance lease contracts related to its machinery and production equipment and transportation equipment with terms of five to ten years and final repayment dates between 2013 and 2016. The leases of machinery and equipment are subject to interest rates ranging from 5.90% to 7.41% per annum. The lease of transportation equipment is subject to interest of 12.26% per annum.

Future minimum lease payments of the Group are as follows:

	Minimum Lease Payments		Present Value of Payments	
	2014	2013	**2014**	2013
Within one year (Note 14)	**$952,626**	$1,018,901	**$853,164**	$907,761
More than one year but less than five years	**2,367,757**	3,157,187	**2,257,583**	2,977,968
	$3,320,383	$4,176,088	**$3,110,747**	$3,885,729

29. **Related Party Transactions**

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

Terms and Conditions of Transactions with Related Parties

Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the years ended December 31, 2014, 2013 and 2012, the Group has not recorded any impairment on receivables, except for the receivable from Narra VC, relating to amounts owed by related parties. Impairment assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.

In the ordinary course of business, the Group transacts with its related parties. The transactions and balances of accounts with related parties follow:

a. Transactions with BPI, an affiliate

   As of December 31, 2014 and 2013, the Group maintains current and savings accounts with BPI amounting to $0.97 million and $0.77 million, respectively.

   Total interest income earned from investments with BPI amounted to $5,338, $2,639 and $22,652 for the years ended December 31, 2014, 2013 and 2012, respectively.

b. Outstanding balances of the Group's related party transactions with its affiliates follow:

	Receivables		Payables	
	2014	2013	**2014**	2013
BPI	**$178,059**	$91,792	**$2,957**	$18,267
AC	**1,352**	–	**–**	–
Makati Development Corporation (MDC)	**776**	–	**–**	–
ALI	**601**	–	**–**	–
Narra VC	**–**	83,562	**–**	–
TLI	**–**	16,807	**–**	–
Innove Communication Inc. (ICI)	**–**	–	**25,520**	17,742
Globe Telecom, Inc. (GTI)	**–**	–	**5,238**	1,090
Ayala Group Legal (AG Legal)	**–**	–	**–**	4,505
	$180,788	$192,161	**$33,715**	$41,604

i. Receivables from BPI are nontrade in nature and pertain to retirement and separation pay advanced by the Parent Company but reimbursable from the trust fund with BPI. These are noninterest-bearing and are due quarterly.

ii. Receivables from AC, MDC and ALI pertain to the affiliates' share on the Parent Company's expenses incurred during a group-wide conference.

iii. PSi's outstanding receivables from Narra VC are nontrade in nature and represent payments made by PSi to settle the Pre-Completion Liabilities and which will be later reimbursed from the New Investors. Effective December 29, 2014, IMI purchased shares held by the non-controlling interests in PSi. Accordingly, the receivables from Narra VC were written off.

iv. Receivables from TLI are nontrade in nature and pertain to advances by the Parent Company for various expenses incurred by TLI, primarily on real property taxes and corporate secretarial services. These are reimbursable with a 30-day term.

v. Payables to BPI are nontrade in nature and pertain to outstanding housing and automobile financing loans. The outstanding housing and automobile financing loans arise from timing differences of the remittances by the Parent Company to BPI and the period of withholding from employee salaries and wages. The loan reductions are remitted on a monthly basis.

vi. Payables to ICI are nontrade in nature and pertain to leased lines, internet connections and automated teller machines connections. These are noninterest-bearing and are due every month.

vii. Payables to GTI pertain to billings for software and WiFi connections. These are due and demandable.

viii. Payables to AG Legal are nontrade in nature and pertain to legal services provided to the Parent Company and PSi. These are noninterest-bearing and are due within thirty days.

c. Outstanding balances of related party transactions from the Parent Company's point of view follow:

	Receivables		Payables	
	2014	2013	**2014**	2013
STEL	**$18,426,739**	$24,204,080	**$7,369,725**	$8,390,188
IMI EU/MX Subsidiaries	**14,695,248**	14,705,805	**–**	–
PSi	**12,820,656**	11,319,929	**296**	415,317
IMI Singapore	**1,010,247**	1,010,247	**–**	–
IMI Japan	**981,383**	979,526	**594,201**	712,569
IMI ROHQ	**319,924**	253,323	**1,149,654**	1,212,240
IMI USA	**253,738**	250,405	**196,433**	289,146
	$48,507,935	$52,723,315	**$9,310,309**	$11,019,460

i. Receivables from STEL Group, IMI EU/MX Subsidiaries, PSi, IMI Singapore, IMI Japan and IMI USA are nontrade in nature and pertain to operating cash advances made by the Parent Company.

   Advances to STEL Group, IMI Singapore, IMI Japan and IMI USA are noninterest-bearing and are due on demand.

   Advances to PSi, IMI MX and IMI CZ have a 90-day term subject to interest rates ranging from 2.33% to 2.73% in 2014, 2.24% to 3.24% in 2013, and 2.31% to 2.81% in 2012.

   Receivables from IMI ROHQ are nontrade in nature and represent the retirement expense for IMI ROHQ's employees to be funded by the Parent Company upon availment. These receivables are due on demand.

ii. Payables to STEL Group pertain to non-trade related transactions which include freight and handling charges, business travel expenses and consideration for the net assets transferred by STPH to the Parent Company (see Note 1). These advances are noninterest-bearing and are payable on demand.

iii. Payables to PSi in 2013 represent payments to settle certain liabilities that had arisen prior to the entry of the New Investors, and which have been identified as the Pre-Completion Liabilities. Pursuant to the IA, the Old Investors and the New Investors shall reimburse PSi for these payments to the extent of two-thirds (2/3) and one-third (1/3) of the amounts, respectively, for the first $3.00 million of the Pre-Completion Liabilities, with the Old Investors absorbing any amount in excess, but only to the extent of the value of the shares that will be eventually sold to the New Investors under the put and call options provision. This was settled in 2014.

iv. Payables to IMI ROHQ are nontrade in nature and pertain to services provided by IMI ROHQ to the Parent Company which serves as a supervisory, communications and coordinating center for its affiliates.

v. Payables to IMI Japan and IMI USA are trade in nature and pertain to the services rendered by IMI Japan and IMI USA. These receivables are with a 30-day term.

d. Revenue/income and expenses from the Group's affiliates follow:

	Revenue/Income			Expenses		
	2014	2013	2012	**2014**	2013	2012
MWAP	**$9,868**	$9,971	$8,885	**$–**	$–	$–
TLI	**7,371**	7,713	–	**1,115,426**	26,328	26,531
BPI	**6,021**	2,639	58,198	**–**	–	–
AG Legal	**–**	–	–	**118,774**	82,818	72,351
ICI	**–**	–	–	**55,971**	88,266	144,905
GTI	**–**	–	–	**73,337**	70,438	68,355
	$23,260	$20,323	$67,083	**$1,363,508**	$267,850	$312,142

Revenue/income from its affiliates pertains to the following transactions:

i. Rental income earned by STEL from lease of its office premises (see Note 28).

ii. In 2013, the Parent Company and TLI entered into a service agreement for the Parent Company to provide TLI administrative services such as professional, clerical, financial and accounting services. The administrative services shall be for a period of three years, commencing on January 2, 2013 up to December 31, 2015, renewable upon mutual agreement by both parties. The fixed monthly service fee is ₱30,000, inclusive of all taxes.

iii. Interest income earned from investments and gain on foreign currency forwards with BPI.

Expenses incurred from related party transactions include:

i. Rental expense from the lease contract with TLI (see Note 28).

ii. Consultations on legal matters and assistance on regulatory and legal requirements from AG Legal.

iii. Building rental, leased lines, internet connections and ATM connections with ICI.

iv. Billings for cellphone charges and WiFi connections with GTI.

e. Revenue and expenses eliminated at the Group level follow:

Intercompany revenues mainly pertain to billings of IMI USA and IMI Japan to the Parent Company for recovery costs and billings for management salaries of key management personnel under IMI ROHQ.

Expenses incurred from related party transactions include interest expense of PSi, IMI MX and IMI CZ from loans granted by the Parent Company.

Compensation of Key Management Personnel of the Group

Key management personnel of the Group include all management committee members. Compensation of key management personnel by benefit type follows:

	2014	2013
Short-term employee benefits	**$7,628,230**	$7,294,687
Post-employment benefits	**243,459**	378,920
Share-based payments	**158,608**	5,262
	$8,030,297	$7,678,869

30. **Fair Values of Financial Instruments**

Below are the fair values of financial assets and financial liabilities that are either carried at fair value or where the carrying amounts do not approximate fair values as of December 31, 2014 and 2013:

	Carrying Amounts		Fair Values	
	2014	2013	**2014**	2013
Financial assets:				
AFS financial assets	**$522,361**	$516,726	**$522,361**	$516,726
Financial liabilities:				
Derivative liabilities	**$–**	$40,606	**$–**	$40,606
Noncurrent portion of:				
Long-term debt	**57,298,750**	61,699,753	**64,723,021**	64,228,205
Obligation under finance lease	**2,257,583**	2,977,968	**2,274,365**	2,973,854
	$59,556,333	$64,718,327	**$66,997,386**	$67,242,665

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

AFS financial assets - These pertain to investments in club shares. Fair value is based on quoted prices.

Derivative instruments - The fair value of freestanding currency forwards is based on counterparty valuation.

Noncurrent portion of long-term debt - The fair value of long-term debt that is re-priced on a semi-annual basis is estimated by using the discounted cash flow method using the current incremental borrowing rates for similar borrowings, with maturities consistent with those remaining for the liability being valued. The discount rates used for 2014 and 2013 ranged from 1.86% to 2.98% and 0.95% to 2.87%, respectively.

Noncurrent portion of obligation under finance lease - The fair values are based on the discounted value of future cash flows using the applicable rates for similar types of instruments. The discount rates used ranged from 3.18% to 12.26% and 2.29% to 12.30% for 2014 and 2013, respectively.

Fair Values of Financial Assets and Financial Liabilities where the Carrying Amounts Approximate Fair Values
Financial assets and financial liabilities that are liquid or are short-term in nature, with maturity of less than one year, are assumed to have carrying amounts approximating their fair values.

Fair Value Hierarchy
The following tables provide the fair value hierarchy of the Group's assets and liabilities:

	December 31, 2014			
	Fair Value Measurement Using			
	Quoted Prices in Active Markets (Level 1)	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Assets measured at fair value -				
AFS financial assets	**$522,361**	**$–**	**$–**	**$522,361**

	December 31, 2014			
	Fair Value Measurement Using			
	Quoted Prices in Active Markets (Level 1)	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Liabilities for which fair values are disclosed -				
Noncurrent portion of:				
Long-term debt	**$–**	**$–**	**$64,723,021**	**$64,723,021**
Obligation under finance lease	**–**	**–**	**2,274,365**	**2,274,365**
	$–	**$–**	**$66,997,386**	**$66,997,386**

	December 31, 2013			
	Fair Value Measurement Using			
	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets measured at fair value -				
AFS financial assets	$516,726	$–	$–	$516,726
Liabilities measured at fair value -				
Derivative liabilities	$–	$40,606	$–	$40,606
Liabilities for which fair values are disclosed -				
Noncurrent portion of:				
Long-term debt	$–	$–	$64,228,205	$64,228,205
Obligation under finance lease	–	–	2,973,854	2,973,854
	$–	$–	$67,202,059	$67,202,059

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

31. **Financial Risk Management Objectives and Policies**

The Group's principal financial instruments, composed of trust receipts and loans payable, long-term debt and other financial liabilities, were issued primarily to raise financing for the Group's operations. The Group has various financial instruments such as cash and cash equivalents, receivables and accounts payable and accrued expenses which arise directly from its operations.

The main purpose of the Group's financial instruments is to fund its operational and capital expenditures. The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, credit risk and foreign currency risk. The Group also enters into currency forwards to manage the currency risk arising from its operations and financial instruments.

The Group's risk management policies are summarized below:

Interest Rate Risk
The Group's exposure to market risk for changes in interest rates relates primarily to its long-term debt obligations with floating interest rates. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's income before income tax (through the impact on floating rate borrowings) for the years ended December 31, 2014 and 2013. There is no other impact on the Group's equity other than those already affecting income.

	Effect on Net Income before Tax	
Increase/Decrease in Basis Points	**2014**	2013
+100	**($476,564)**	($564,410)
-100	**476,564**	564,410

The following table shows the information about the Group's debt as of December 31, 2014 and 2013 that are exposed to interest rate risk presented by maturity profile:

	2014	2013
Within one year	**$372,440**	$8,875,315
One to five years	**47,283,951**	47,565,711
	$47,656,391	$56,441,026

Liquidity Risk
Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Group's exposure to liquidity risk relates primarily to its short-term and long-term obligations. The Group seeks to manage its liquidity profile to be able to finance its capital expenditures and operations. The Group maintains a level of cash and cash equivalents deemed sufficient to finance its operations. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. To cover financing requirements, the Group intends to use internally-generated funds and loan facilities with local and foreign banks. Surplus funds are placed with reputable banks.

The table below summarizes the maturity profile of the Group's financial assets held for liquidity purposes and financial liabilities based on contractual undiscounted payments:

	2014				
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Total**
Financial assets					
Cash and cash equivalents*	**$63,504,005**	**$54,039,344**	**$–**	**$–**	**$117,543,349**
Financial liabilities					
Accounts payable and accrued expenses:					
Trade payables	**–**	**119,390,018**	**–**	**–**	**119,390,018**
Accrued expenses**	**–**	**21,723,950**	**–**	**–**	**21,723,950**
Accrued compensation and benefits	**–**	**24,691,621**	**–**	**–**	**24,691,621**
Nontrade payables	**–**	**6,347,988**	**–**	**–**	**6,347,988**
Current portion of obligation under finance lease	**–**	**–**	**952,626**	**–**	**952,626**
Dividends payable	**–**	**–**	**898,700**	**–**	**898,700**
Employee-related payables**	**–**	**155,827**	**–**	**–**	**155,827**
Accrued interest payable	**–**	**–**	**449,305**	**–**	**449,305**
Due to related parties	**–**	**33,715**	**–**	**–**	**33,715**
Others	**–**	**930,209**	**–**	**–**	**930,209**

(Forward)

	2014				
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Total**
Trust receipt and loans payable	**$–**	**$–**	**$52,524,685**	**$–**	**$52,524,685**
Current portion of long-term debt	**–**	**–**	**2,907,015**	**–**	**2,907,015**
Noncurrent portion of long-term debt	**–**	**245,073**	**735,218**	**62,164,758**	**63,145,049**
Noncurrent portion of obligation under finance lease	**–**	**–**	**–**	**2,367,757**	**2,367,757**
	–	**173,518,401**	**58,467,549**	**64,532,515**	**296,518,465**
	$63,504,005	**($119,479,057)**	**($58,467,549)**	**($64,532,515)**	**($178,975,116)**

** Excluding cash on hand.*
*** Excluding statutory payables.*

	2013				
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Total
Financial assets					
Cash and cash equivalents*	$44,887,461	$4,057,226	$–	$–	$48,944,687
Financial liabilities					
Derivative liabilities	–	40,606	–	–	40,606
Accounts payable and accrued expenses:					
Trade payables	–	120,669,723	–	–	120,669,723
Accrued expenses**	–	24,067,786	–	–	24,067,786
Accrued compensation and benefits	–	15,233,977	–	–	15,233,977
Nontrade payables	–	4,116,382	–	–	4,116,382
Current portion of obligation under finance lease	–	–	1,018,901	–	1,018,901
Dividends payable	–	–	858,539	–	858,539
Employee-related payables**	–	175,211	–	–	175,211
Accrued interest payable	–	–	471,700	–	471,700
Due to related parties	–	41,604	–	–	41,604
Others	–	501,186	–	–	501,186
Trust receipt and loans payable	–	–	45,982,452	–	45,982,452
Current portion of long-term debt	–	–	4,014,417	–	4,014,417
Noncurrent portion of long-term debt	–	346,994	1,040,983	63,228,205	64,616,182
Noncurrent portion of obligation under finance lease	–	–	–	3,157,187	3,157,187
	–	165,193,469	53,386,992	66,385,392	281,808,666
	$44,887,461	($161,136,243)	($53,386,992)	($66,385,392)	($232,863,979)

** Excluding cash on hand.*
*** Excluding statutory payables.*

Credit lines
The Group has credit lines with different financing institutions as of December 31, 2014 and 2013, as follows:

	2014		2013	
Financial Institution	**Credit Limit**	**Available Credit Line**	Credit Limit	Available Credit Line
Local:				
USD	**40,000,000**	**13,405,548**	30,000,000	1,000,000
PHP	**860,000,000**	**860,000,000**	860,000,000	860,000,000
Foreign:				
USD	**38,965,000**	**13,465,000**	22,295,000	15,790,000
Singapore Dollar (SGD)	**25,000,000**	**25,000,000**	20,000,000	16,500,000
EUR	**10,880,000**	**7,115,468**	12,839,988	11,409,501

Credit Risk
Credit risk is the risk that the Group's counterparties to its financial assets will fail to discharge their contractual obligations. The Group's major credit risk exposure relates primarily to its holdings of cash and cash equivalents, short-term investments, and receivables from customers and other third parties. Credit risk management involves dealing with institutions for which credit limits have been established. The treasury policy sets credit limits for each counterparty. The Group trades only with recognized, creditworthy third parties. The Group has a well-defined credit

policy and established credit procedures. The Group extends credit to its customers consistent with sound credit practices and industry standards. The Group deals only with reputable, competent and reliable customers who pass the Group's credit standards. The credit evaluation reflects the customer's overall credit strength based on key financial and credit characteristics such as financial stability, operations, focus market and trade references. All customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group's maximum exposure to credit risk as of December 31, 2014 and 2013 is the carrying amounts of the financial assets presented in Note 30. The Group's maximum exposure for cash and cash equivalents excludes the carrying amount of cash on hand.

The Group has 37% and 35% of trade receivables relating to three major customers as of December 31, 2014 and 2013, respectively.

As of December 31, 2014 and 2013, the aging analysis of receivables and miscellaneous deposits follows:

	December 31, 2014							
		Neither Past Due Nor	**Past Due but not Impaired**					**Specifically**
	Total	**Impaired**	**<30 Days**	**30-60 Days**	**60-90 Days**	**90-120 Days**	**>120 Days**	**Impaired**
Trade	**$192,038,296**	**$157,599,844**	**$21,279,943**	**$2,092,319**	**$2,208,585**	**$2,005,189**	**$5,832,369**	**$1,020,047**
Nontrade	**1,598,225**	**738,484**	**304,613**	**90,814**	**92,424**	**31,004**	**268,811**	**72,075**
Receivable from insurance	**1,066,423**	**–**	**–**	**–**	**–**	**–**	**–**	**1,066,423**
Receivable from employees	**588,787**	**532,280**	**27,319**	**1,121**	**172**	**2,224**	**7,776**	**17,895**
Due from related parties	**180,788**	**180,788**	**–**	**–**	**–**	**–**	**–**	**–**
Others	**1,825,989**	**1,821,869**	**–**	**–**	**–**	**–**	**4,120**	**–**
	$197,298,508	**$160,873,265**	**$21,611,875**	**$2,184,254**	**$2,301,181**	**$2,038,417**	**$6,113,076**	**$2,176,440**
Miscellaneous deposits	**$1,705,650**	**$1,705,650**	**$–**	**$–**	**$–**	**$–**	**$–**	**$–**

	December 31, 2013							
		Neither Past Due nor	Past Due but not Impaired					Specifically
	Total	Impaired	<30 Days	30-60 Days	60-90 Days	90-120 Days	>120 Days	Impaired
Trade	$174,135,627	$141,879,336	$19,157,279	$1,883,611	$1,988,280	$1,805,172	$5,250,593	$2,171,356
Nontrade	2,838,394	1,314,190	542,082	161,610	164,475	55,177	478,370	122,490
Receivable from insurance	1,178,785	–	–	–	–	–	–	1,178,785
Receivable from employees	542,944	489,415	25,119	1,031	158	2,045	7,150	18,026
Due from related parties	192,161	192,161	–	–	–	–	–	–
Others	3,067,488	3,060,626	–	–	–	–	6,862	–
	$181,955,399	$146,935,728	$19,724,480	$2,046,252	$2,152,913	$1,862,394	$5,742,975	$3,490,657
Miscellaneous deposits	$2,357,537	$2,357,537	$–	$–	$–	$–	$–	$–

The following table summarizes the credit quality of the Group's financial assets as of December 31, 2014 and 2013:

	December 31, 2014					
	Neither Past Due nor Impaired				**Past Due or**	
	Minimal Risk	**Average Risk**	**Fairly High Risk**	**High Risk**	**Individually Impaired**	**Total**
Cash and cash equivalents	**$117,543,349**	**$–**	**$–**	**$–**	**$–**	**$117,543,349**
Receivables:						
Trade	**11,687,759**	**145,912,085**			**34,438,452**	**192,038,296**
Nontrade	**738,484**	**–**	**–**	**–**	**859,741**	**1,598,225**
Receivable from insurance	**–**	**–**	**–**	**–**	**1,066,423**	**1,066,423**
Receivable from employees	**532,280**	**–**	**–**	**–**	**56,507**	**588,787**
Due from related parties	**180,788**	**–**	**–**	**–**	**–**	**180,788**
Others	**1,821,869**	**–**	**–**	**–**	**4,120**	**1,825,989**
AFS financial assets	**522,361**	**–**	**–**	**–**	**–**	**522,361**
Miscellaneous deposits	**1,705,650**	**–**	**–**	**–**	**–**	**1,705,650**
	$134,732,540	**$145,912,085**	**$–**	**$–**	**$36,425,243**	**$317,069,868**

	December 31, 2013					
	Neither Past Due nor Impaired				Past Due or Individually Impaired	Total
	Minimal Risk	Average Risk	Fairly High Risk	High Risk		
Cash and cash equivalents	$48,944,687	$–	$–	$–	$–	$48,944,687
Receivables:						
Trade	10,521,911	131,357,425	–	–	32,256,291	174,135,627
Nontrade	1,314,190	–	–	–	1,524,204	2,838,394
Receivable from insurance	–	–	–	–	1,178,785	1,178,785
Receivable from employees	489,415	–	–	–	53,529	542,944
Due from related parties	192,161	–	–	–	–	192,161
Others	3,060,626	–	–	–	6,862	3,067,488
AFS financial assets	1,867,094	–	–	–	–	1,867,094
Miscellaneous deposits	2,357,537	–	–	–	–	2,357,537
	$68,747,621	$131,357,425	$–	$–	$35,019,671	$235,124,717

The Group classifies credit quality as follows:

Minimal Risk - Credit can proceed with favorable credit terms; can offer term of 15 to maximum of 45 days.

Average Risk - Credit can proceed normally; can extend term of 15 to maximum of 30 days.

Fairly High Risk - Credit could be extended under a confirmed and irrevocable LC and subject to semi-annual review for possible upgrade.

High Risk - Transaction should be under advance payment or confirmed and irrevocable Stand-By LC; subject to quarterly review for possible upgrade after one year.

Foreign Currency Risk

The Group's foreign exchange risk results primarily from movements of the USD against other currencies. As a result of significant operating expenses in PHP, the Group's consolidated statements of income can be affected significantly by movements in the USD versus the PHP. In 2014 and 2013, the Group entered into currency forward contracts to hedge its risks associated with foreign currency fluctuations.

The Group also has transactional currency exposures. Such exposure arises from sales or purchases denominated in other than the Group's functional currency. Approximately 50% and 45% of the Group's sales for the years ended December 31, 2014 and 2013, respectively, and 49% and 37% of costs for the years ended December 31, 2014 and 2013, respectively, are denominated in currencies other than the Group's functional currency.

The Group manages its foreign exchange exposure risk by matching, as far as possible, receipts and payments in each individual currency. Foreign currency is converted into the relevant domestic currency as and when the management deems necessary. The unhedged exposure is reviewed and monitored closely on an ongoing basis and management will consider hedging any material exposure where appropriate.

Information on the Group's foreign currency-denominated monetary assets and liabilities and their USD equivalent follows:

Philippine Peso (₱)

	2014		2013	
	In USD	**In PHP**	In USD	In PHP
Cash and cash equivalents	**$18,287,996**	**₱817,839,183**	$1,301,522	₱57,768,395
Receivables	**910,486**	**40,716,938**	1,261,035	55,971,373
Miscellaneous deposits	**1,330,605**	**59,504,646**	1,308,741	58,088,831
Accounts payable and accrued expenses	**(28,795,936)**	**(1,287,754,274)**	(35,908,621)	(1,593,813,544)
Net retirement liabilities	**(4,317,945)**	**(193,098,500)**	(6,358,839)	(282,300,647)
Other current liabilities	**–**	**–**	(2,177,477)	(96,647,896)
Other noncurrent liabilities	**(434,575)**	**(19,434,194)**	(34,750)	(1,542,386)
Net foreign currency-denominated liabilities	**($13,019,369)**	**(₱582,226,201)**	($40,608,389)	(₱1,802,475,874)

Singapore Dollar (SGD)

	2014		2013	
	In USD	**In SGD**	In USD	In SGD
Cash and cash equivalents	**$17,422,989**	**SGD23,045,388**	$1,202,086	SGD1,521,608
Receivables	**153,158**	**202,582**	42,278	53,516
Accounts payable and accrued expenses	**(3,274,870)**	**(4,331,671)**	–	–
Other current liabilities	**–**	**–**	(2,062,805)	(2,611,112)
Net foreign currency-denominated assets (liabilities)	**$14,301,277**	**SGD18,916,299**	($818,441)	(SGD1,035,988)

Euro (€)

	2014		2013	
	In USD	**In EUR**	In USD	In EUR
Cash and cash equivalents	**$10,539,710**	**€8,651,205**	$3,372,710	€2,444,524
Receivables	**45,735,098**	**37,540,283**	33,656,796	24,394,284
Accounts payable and accrued expenses	**(16,730,780)**	**(13,732,959)**	(15,267,300)	(11,065,666)
Loans payable	**–**	**–**	(900,196)	(652,458)
Short-term debt	**(2,800,640)**	**(2,298,821)**	(13,445,515)	(9,745,245)
Long-term debt	**(17,298,750)**	**(14,199,160)**	–	–
Net foreign currency-denominated assets	**$19,444,638**	**€15,960,548**	$7,416,495	€5,375,439

Japanese Yen (JPY or ¥)

	2014		2013	
	In USD	**In JPY**	In USD	In JPY
Cash and cash equivalents	**$214,167**	**¥25,781,435**	$110,783	¥20,777,535
RReceivables	**1,459,607**	**175,707,523**	2,142,135	142,970,938
Miscellaneous deposits	**20,693**	**2,491,043**	23,388	162,575,616
Accounts payable and accrued expenses	**(3,099,202)**	**(373,081,879)**	(6,780,059)	(360,282,581)
Net foreign currency-denominated liabilities	**($1,404,735)**	**(¥169,101,878)**	($4,503,753)	(¥33,958,492)

Renminbi (RMB)

	2014		2013	
	In USD	**In RMB**	In USD	In RMB
Cash and cash equivalents	**$23,174,367**	**RMB141,838,714**	$8,791,172	RMB91,750,882
Receivables	**75,142,422**	**459,909,194**	65,967,402	345,539,841
Accounts payable and accrued expenses	**(43,976,172)**	**(269,156,161)**	(45,116,122)	(239,821,418)
Net foreign currency-denominated assets	**$54,340,617**	**RMB332,591,747**	$29,642,452	RMB197,469,305

Hong Kong Dollar (HKD or HK$)

	2014		2013	
	In USD	**In HKD**	In USD	In HKD
Cash and cash equivalents	**$43,424**	**HK$336,926**	$209,933	HK$1,627,894
Receivables	**1,177,086**	**9,133,013**	1,157,866	8,978,496
Accounts payable and accrued expenses	**(362,957)**	**(2,816,186)**	(358,999)	(2,783,806)
Net foreign currency-denominated assets	**$857,553**	**HK$6,653,753**	$1,008,800	HK$7,822,584

British Pound (GBP or £)

	2014		2013	
	In USD	**In GBP**	In USD	In GBP
Cash	**$63,161**	**£40,582**	$–	£–
Receivables	**–**	**–**	1,024	621
Accounts payable and accrued expenses	**(2,417)**	**(1,553)**	(5,272)	(3,197)
Net foreign currency-denominated assets (liabilities)	**$60,744**	**£39,029**	($4,248)	(£2,576)

Australian Dollar (AUD)

	2014		2013	
	In USD	**In AUD**	In USD	In AUD
Cash and cash equivalents	**$2**	**AUD3**	$3	AUD3
Accounts payable and accrued expenses	**(81,562)**	**(100,223)**	(54,619)	(61,239)
Net foreign currency-denominated liabilities	**($81,560)**	**(AUD100,220)**	($54,616)	(AUD61,236)

Thai Baht (THB)

	2014		2013	
	In USD	**In THB**	In USD	In THB
Receivables	**$–**	**THB–**	$1,047	THB34,398

Swiss Franc (CHF)

	2014		2013	
	In USD	**In CHF**	In USD	In CHF
Cash and cash equivalents	**$356**	**CHF351**	$1,411	CHF1,253
Receivables	**–**	**–**	23	20
Accounts payable and accrued expenses	**(12,091)**	**(11,934)**	(58,208)	(51,690)
Net foreign currency-denominated liabilities	**($11,735)**	**(CHF11,583)**	($56,774)	(CHF50,417)

Danish Krone (DKK)

	2014		2013	
	In USD	**In DKK**	In USD	In DKK
Accounts payable and accrued expenses	**($957)**	**(DKK5,842)**	($2,789)	(DKK15,079)

<u>*Sensitivity Analysis*</u>
The following tables demonstrate sensitivity to a reasonably possible change in the USD exchange rate, with all other variables held constant, of the Group's income before income tax (due to changes in the fair value of monetary assets and liabilities) as of December 31, 2014 and 2013. The reasonably possible change was computed based on one year average historical movement of exchange rates between the USD and other currencies.

There is no other impact on the Group's equity other than those already affecting income. The increase in USD rate as against other currencies demonstrates weaker functional currency while the decrease represents stronger USD value.

Currency	Increase/Decrease in USD Rate	**Effect on Net Income before Tax 2014**	2013
PHP	+1%	**$123,270**	$257,733
	-1%	**(123,270)**	(257,733)
SGD	+1%	**(91,271)**	5,839
	-1%	**91,271**	(5,839)
EUR	+1%	**(199,056)**	(100,879)
	-1%	**199,056**	100,879
JPY	+1%	**15,791**	27,143
	-1%	**(15,791)**	(27,143)
RMB	+1%	**(532,197)**	(243,729)
	-1%	**532,197**	243,729
HKD	+1%	**(8,532)**	(10,052)
	-1%	**8,532**	10,052

(Forward)

Currency	Increase/Decrease in USD Rate	Effect on Net Income before Tax **2014**	2013
GBP	+1%	**($320)**	$52
	-1%	**320**	(52)
AUD	+1%	**590**	637
	-1%	**(590)**	(637)
THB	+1%	**–**	(6)
	-1%	**–**	6
CHF	+1%	**102**	705
	-1%	**(102)**	(705)
DKK	+1%	**5**	38
	-1%	**(5)**	(38)

Derivatives
As of December 31, 2014 and 2013, the Parent Company entered into various short-term currency forwards with an aggregate notional amount of $17.00 million and $37.00 million, respectively. As of December 31, 2014 and 2013, the outstanding forward contracts have a net negative fair value of nil and $0.04 million, respectively. The changes in fair value of currency forwards recognized in 2014 and 2013 amounted to $0.25 million and ($0.62) million, respectively. The changes in fair value of currency forwards are recognized in the consolidated statements of income under "Foreign exchange gains (losses) - net" account.

Fair value changes on derivatives
The net movements in the fair value of the Group's derivative instruments as of December 31, 2014 and 2013 follow:

	2014	2013
Derivative assets:		
Balances at January 1	**$–**	$2,857,010
Exercise of call option	**–**	(2,857,010)
Fair value of currency forwards	**107,914**	104,427
Fair value of settled currency forwards	**(107,914)**	(104,427)
Balances at December 31	**$–**	$–
Derivative liabilities:		
Balances at January 1	**$40,606**	$–
Fair value of currency forwards	**143,010**	583,489
Fair value of settled currency forwards	**(183,616)**	(542,883)
Balances at December 31	**$–**	$40,606

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

No changes were made in the objectives, policies and processes for the years ended December 31, 2014 and 2013.

The Group is not subject to externally imposed capital requirements.

The Group monitors capital using a gearing ratio of debt to equity and net debt to equity. The Group considers bank borrowings in the determination of debt, which consist of trust receipts and loans payable and long-term bank debt. Net debt is equivalent to the total bank borrowings, less cash and cash equivalents.

	2014	2013
Trust receipts and loans payable	**$52,094,452**	$45,653,865
Long-term bank debt	**47,656,391**	47,710,919
Total bank debt	**99,750,843**	93,364,784
Less cash and cash equivalents	**117,625,491**	49,042,599
Net bank debt (cash)	**($17,874,648)**	$44,322,185
Equity attributable to equity holders of the Parent Company	**$244,051,201**	$192,649,772
Debt-to-equity ratio	**0.41:1**	0.48:1
Net debt (cash)-to-equity ratio	**(0.07:1)**	0.23:1

32. Contingencies

The Group has various contingent liabilities arising in the ordinary conduct of business which are either pending decision by the courts or being contested. The outcome of these cases is not presently determinable.

In the opinion of management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Group's financial position and results of operations. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the grounds that it can be expected to prejudice the outcome of these lawsuits, claims and assessments.

33. Notes to Consolidated Statements of Cash Flows

The Group's noncash investing activities includes capitalization by the Group of machineries and facilities equipment under finance lease amounting to $0.73 million, $3.03 million and $0.78 million in 2014, 2013 and 2012, respectively, and conversion of long-outstanding trade and nontrade receivables of the Parent Company to Class A common stock amounting to $1.75 million in 2014.

34. Events after Balance Sheet Date

On February 17, 2015, the BOD of the Parent Company approved the reclassification of the remaining balance of the appropriated retained earnings to unappropriated retained earnings amounting to $20.66 million. On the same day, the BOD of the Parent Company approved the declaration of cash dividend of $0.0042 (₱0.1868) per share to all outstanding common shares as of record date of March 4, 2015, payable on March 19, 2015.

SGV
Building a better working world

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1226 Makati City
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Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Integrated Micro-Electronics, Inc.
North Science Avenue
Laguna Technopark
Biñan, Laguna

We have audited the parent company financial statements of Integrated Micro-Electronics, Inc. (the "Company") for the year ended December 31, 2014, on which we have rendered the attached report dated February 17, 2015.

In compliance with Securities Regulation Code Rule 68, As Amended (2011), we are stating that the Company has four hundred fifty six (456) stockholders owning one hundred (100) or more shares each.

SYCIP GORRES VELAYO & CO.

Arnel F. De Jesus
Partner
CPA Certificate No. 43285
SEC Accreditation No. 0075-AR-3 (Group A),
February 14, 2013, valid until February 13, 2016
Tax Identification No. 152-884-385
BIR Accreditation No. 08-001998-15-2012,
June 19, 2012, valid until June 18, 2015
PTR No. 4751272, January 5, 2015, Makati City

February 17, 2015

EXHIBIT 2

Supplementary Schedules

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BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Integrated Micro-Electronics, Inc.
North Science Avenue
Laguna Technopark
Biñan, Laguna

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Integrated Micro-Electronics, Inc. and Subsidiaries (the "Group") as at December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014, included in this Form 17-A, and have issued our report thereon dated February 17, 2015. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Arnel F. De Jesus
Partner
CPA Certificate No. 43285
SEC Accreditation No. 0075-AR-3 (Group A),
February 14, 2013, valid until February 13, 2016
Tax Identification No. 152-884-385
BIR Accreditation No. 08-001998-15-2012,
June 19, 2012, valid until June 18, 2015
PTR No. 4751272, January 5, 2015, Makati City

February 17, 2015

Integrated Micro-Electronics, Inc. and Subsidiaries
Schedule A. Financial Assets
December 31, 2014

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Valued based on market quotation at end of reporting period	Income received and accrued
NOT APPLICABLE				
Total		0	0	0

Integrated Micro-Electronics, Inc. and Subsidiaries
Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2014
(in U.S. Dollars)

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
Receivables from Employees:							
Various Officers and Employees*	549,677	2,850,677.82	(2,811,567.08)	-	588,787	-	588,787
Total	**549,677**	**2,850,678**	**(2,811,567)**	**-**	**588,787**	**-**	**588,787**

* Consist of receivables from approximately more than 2,000 Officers and Employees.

Integrated Microelectronics, Inc. and Subsidiaries
Schedule C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
December 31, 2014
(in U.S. Dollars)

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
Accounts receivable -trade							
Speedy-Tech Electronics (STEL) Group	2,968,599	12,651			2,981,250		2,981,250
IMI International (Singapore) Pte Ltd.	-		-				-
Monarch and EPIQ Subsidiaries	9,735	38,885			48,620		48,620
PSi Technologies Inc.	17,353		(13,660)		3,693		3,693
IMI USA	-	-	-		-		-
Accounts receivable -nontrade							
STEL Group	21,235,481		(5,793,389)		15,442,092		15,442,092
Monarch and EPIQ Subsidiaries	927,712		(141,093)		786,619		786,619
PSi Technologies Inc.	11,302,576	1,513,901			12,816,477		12,816,477
IMI International (Singapore) Pte Ltd.	200,000		-		200,000		200,000
IMI Japan	979,526	1,857			981,384		981,384
IMI USA	405	3,333			3,738		3,738
IMI International ROHQ	7,936	93,249			101,185		101,185
Due From							
STEL Group	-	192,213			192,213		192,213
Monarch and EPIQ Subsidiaries	13,768,358	92,011			13,860,369		13,860,369
IMI International (Singapore) Pte Ltd.			810,247		810,247		810,247
IMI Japan	-		-		-		
IMI USA	250,000	-	-		250,000		250,000
IMI International ROHQ	245,386		(26,648)		218,739		218,739
Total	**51,913,068**	**1,948,100**	**(5,164,543)**	**-**	**48,696,625**	**-**	**48,696,625**

These related party receivables are collectible on demand.

Integrated Micro-Electronics, Inc. and Subsidiaries
Schedule D. Intangible Assets
December 31, 2014
(in U.S. Dollars)

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance	Remarks
Customer relationships	3,496,086		1,353,323		-	2,142,763	
Unpatented technology	-	-	-		-	-	
Computer software	1,365,644	1,287,611	767,111		(26,162)	1,859,982	Other changes represent foreign currency exchange difference
	4,861,730	**1,287,611**	**2,120,434**	**-**	**(26,162)**	**4,002,745**	

Integrated Micro-Electronics, Inc. and Subsidiaries
Schedule E. Long-Term Debt
December 31, 2014
(in U.S. Dollars)

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-term debt" in related balance sheet	Remarks
5-year clean loan (Parent Company)	46,091,500	-	46,091,500	principal payable in October 2016; interest payable and repriced quarterly at the rate of 3-month LIBOR plus margin of 0.80%
Deferred payment to EPIQ NV (Cooperatief)	12,442,999	2,428,200	10,014,799	periodic payment of $2,428,200 for the next 3 years from 2014 to 2017 and $5,158,399 in 2018; subject to interest rate of 1.5999% plus 1.5%
Long-term Debt from BNP Paribas (IMI BG)	974,864	243,716	731,148	with a term of five years and bears interest based on 3-month EURIBOR plus 2.90%
Long-term Debt from Citibank (IMI CZ)	590,027	128,724	461,303	The debt bears interest of 1-month EURIBOR plus 2.70% and matures on July 31, 2019
Total	**60,099,390**	**2,800,640**	**57,298,750**	

Integrated Micro-Electronics, Inc. and Subsidiaries
Schedule F. Indebtedness to Related Parties
December 31, 2014
(in U.S. Dollars)

Indebtedness to Related Parties (Long-term Loans from Related Companies)

Name of Related Party	Balance at Beginning of Period	Balance at End of Period
NOT APPLICABLE		

Related party payables eliminated during consolidation:

Name of Related Party	Balance at Beginning of Period	Balance at End of Period
Accounts Payable - Trade		
Speedy-Tech Electronics (STEL) Group	128,952	477,566
IMI USA	135,939	-
Monarch and EPIQ Subsidiaries	-	360
Accounts Payable - Nontrade		
Speedy-Tech Electronics Ltd.	6,682,487	6,111,841
IMI USA	104,985	44,694
IMI Japan	130,345	
IMI International ROHQ	435,266	364,523
PSi Technologies Inc.	-	296
Due To		
Speedy-Tech Electronics Ltd.	1,578,749	969,472
Monarch and EPIQ Subsidiaries	-	-
PSi Technologies Inc.	546,135	-
IMI International (Singapore) Pte Ltd.	-	-
IMI Japan	582,224	585,890
IMI USA	48,222	159,712
IMI International ROHQ	776,974	535,231
Total	**11,150,278**	**9,249,586**

Note 1. These related party liabilities are payable on demand.

Integrated Micro-Electronics, Inc. and Subsidiaries
Schedule G. Guarantees of Securities of Other Issuers
December 31, 2014
(in U.S. Dollars)

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which this statement if filed	Nature of Guarantee
NOT APPLICABLE				
Total		-	-	-

Integrated Micro-Electronics, Inc. and Subsidiaries
Schedule H. Capital Stock
December 31, 2014

Title of Issue	Number of Shares Authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common Stocks	2,250,000,000	1,872,792,045				
Less: Treasury Shares		(15,892,124)				
Common shares	**2,250,000,000**	**1,856,899,921**	82,375,866		112,822,207	1,661,701,848
Preferred Shares	**1,500,000,000**	**1,300,000,000**			2,593,428	1,297,406,572

INTEGRATED MICRO-ELECTRONICS, INC
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2014
(in U.S. Dollars)

Unappropriated retained earnings, as adjusted for dividend distribution, beginning		**12,472,093**
Add: Net income actually earned/realized during the year		
Net loss during the year closed to Retained Earnings	(13,169,631)	
Less: Non-actual/unrealized income, net of tax		
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	(438,034)	
Subtotal	(13,607,665)	
Add: Non-actual losses	–	
Net income actually earned during the year		**(13,607,665)**
Add (less):		
Dividend declarations during the year	(3,139,204)	
Treasury shares	(1)	**(3,139,205)**
TOTAL RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION, END		**(4,274,777)**

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2014 AND 2013

Ratios	Formula	December 31, 2014	December 31, 2013
(i) Current ratio	Current assets / Current Liabilities	**1.73**	**1.53**
(ii) Debt/Equity ratio	Bank debts / Equity attributable to parent	**0.41**	**0.48**
(iii) Asset to Equity ratio	Total Assets / Equity attributable to parent	**2.26**	**2.53**
(iv) Interest rate coverage ratio	Earnings before interest and taxes / Interest Expense	**13.43**	**5.69**
(v) Profitability ratios			
GP margin	Gross Profit / Revenues	**11.1%**	**9.1%**
Net profit margin	Net Income after Tax / Revenues	**3.4%**	**1.4%**
EBITDA margin	EBITDA / Revenues	**6.3%**	**4.9%**
Return on assets	Net Income after Tax / Total Asset	**5.3%**	**2.1%**
Return on equity	Net Income after Tax / Average equity attributable to parent	**13.3%**	**5.4%**

	(in US$)	
	December 31, 2014	**December 31, 2013**
Current Assets	416,008,749	338,262,918
Current Liabilities	240,633,994	221,301,986
Total Assets	552,707,407	488,228,816
Bank Debts	99,750,843	93,364,784
Equity attributable to parent	244,051,201	192,649,772
Average equity attributable to parent	218,350,487	193,233,532
Revenues	844,474,069	745,031,863
Gross Profit	93,933,005	67,928,900
Net Income after Tax	29,117,024	10,472,995
Earnings before interest and taxes	37,809,823	16,384,683
Interest expense	2,814,803	2,879,941
EBITDA	52,882,215	36,439,704

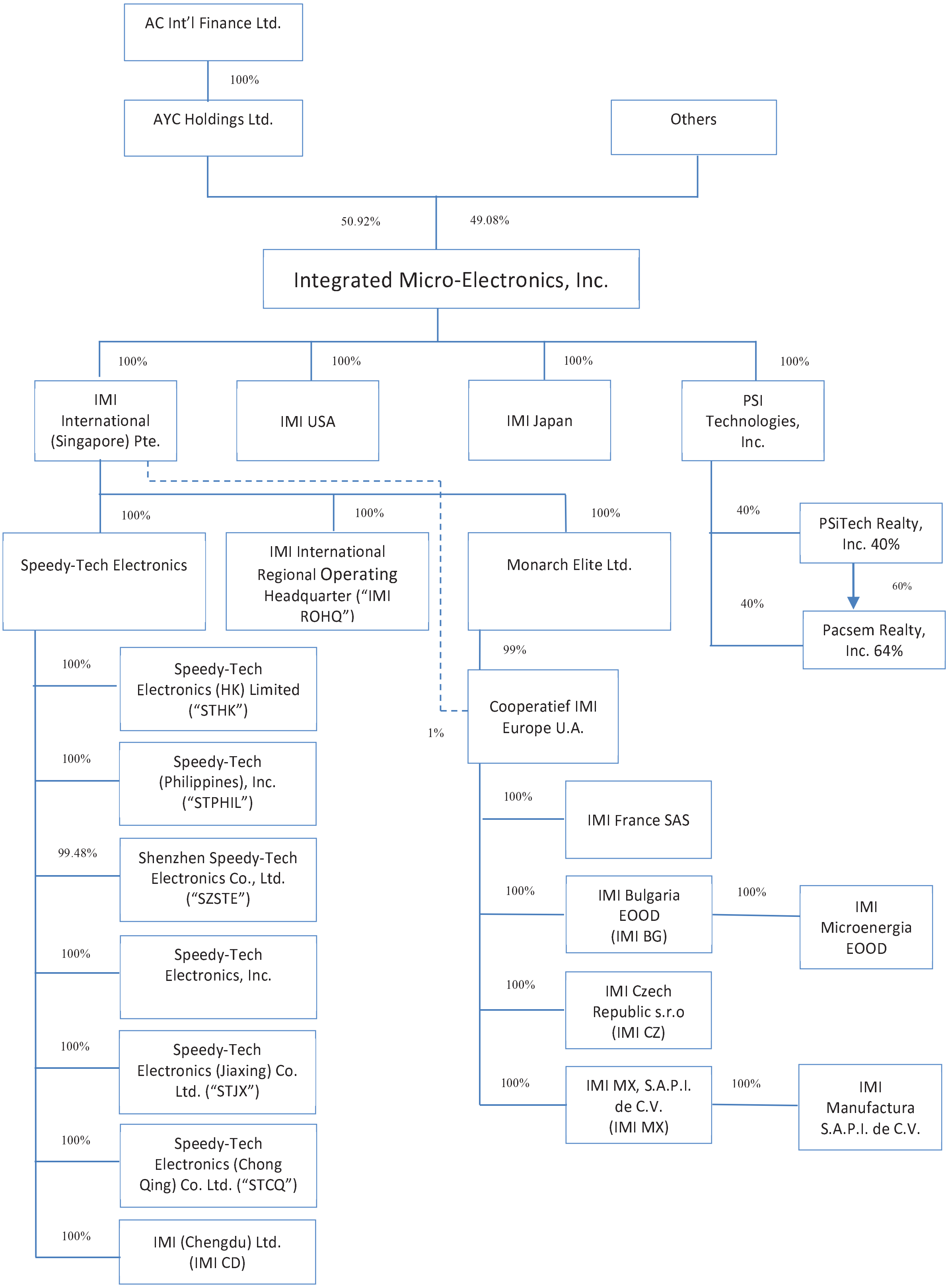
INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND CO-SUBSIDIARIES

Legend:

% of ownership appearing on top of the box – direct % of ownership

% of ownership appearing inside the box – effective % of ownership


AC Int'l Finance Ltd.
100%
AYC Holdings Ltd.
Others
50.92%
49.08%
Integrated Micro-Electronics, Inc.
100%
100%
100%
100%
IMI International (Singapore) Pte.
IMI USA
IMI Japan
PSI Technologies, Inc.
100%
100%
100%
Speedy-Tech Electronics
IMI International Regional Operating Headquarter ("IMI ROHQ")
Monarch Elite Ltd.
40%
PSiTech Realty, Inc. 40%
60%
40%
Pacsem Realty, Inc. 64%
99%
1%
Cooperatief IMI Europe U.A.
100%
Speedy-Tech Electronics (HK) Limited ("STHK")
100%
Speedy-Tech (Philippines), Inc. ("STPHIL")
99.48%
Shenzhen Speedy-Tech Electronics Co., Ltd. ("SZSTE")
100%
Speedy-Tech Electronics, Inc.
100%
Speedy-Tech Electronics (Jiaxing) Co. Ltd. ("STJX")
100%
Speedy-Tech Electronics (Chong Qing) Co. Ltd. ("STCQ")
100%
IMI (Chengdu) Ltd. (IMI CD)
100%
IMI France SAS
100%
IMI Bulgaria EOOD (IMI BG)
100%
IMI Microenergia EOOD
100%
IMI Czech Republic s.r.o (IMI CZ)
100%
IMI MX, S.A.P.I. de C.V. (IMI MX)
100%
IMI Manufactura S.A.P.I. de C.V.

INTEGRATED MICRO-ELECTRONICS INC. AND SUBSIDIARES

Schedule of All Philippine Financial Reporting Standards, Philippine Accounting Standards and Philippine Interpretations effective as at December 31, 2014

		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework for Financial Reporting		✓		
Philippine Financial Reporting Standards (PFRS) Practice Statement Management Commentary		✓		
PFRS				
PFRS 1	First-time Adoption of PFRS	✓		
	PFRS 1 and Philippine Accounting Standards (PAS) 27 (Amendments) - *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*			✓
	PFRS 1 (Amendments) - *Additional Exemptions for First-time Adopters*			✓
	PFRS 1 (Amendments) - *Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters*			✓
	PFRS 1 (Amendments) - *Severe Hyperinflation and Removal of Fixed Date of First-time Adopters*			✓
	PFRS 1 (Amendments) - *Government Loans*			✓
PFRS 2	Share-based Payment	✓		
	PFRS 2 (Amendments) - *Vesting Conditions and Cancellations*	✓		
	PFRS 2 (Amendments) - *Group Cash-settled Share-based Payment Transactions*	✓		
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	PAS 39 and PFRS 4 (Amendments) - *Financial Guarantee Contracts*			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	PAS 39 and PFRS 7 (Amendments) - *Reclassification of Financial Assets - Effective Date and Transition*	✓		
	PFRS 7 (Amendments) - *Improving Disclosures about Financial Instruments*	✓		
	PFRS 7 (Amendments) - *Disclosures - Transfers of Financial Assets*			✓
	PFRS 7 (Amendments) - *Offsetting Financial Assets and Financial Liabilities*			✓
	PFRS 7 (Amendments) - *Mandatory Effective*	NOT EARLY ADOPTED		

		Adopted	Not Adopted	Not Applicable
	Date of PFRS 9 and Transition Disclosures			
PFRS 8	Operating Segments	✓		
PFRS 9 (2014)	Financial Instruments	NOT EARLY ADOPTED		
PFRS 10	Consolidated Financial Statements	✓		
	PFRS 10 (Amendments) - *Investment Entities*			✓
	PFRS10 (Amendments) - *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	NOT EARLY ADOPTED		
PFRS 11	Joint Arrangements			✓
	PFRS 11 (Amendments) - *Accounting for Acquisitions of Interests in Joint Operations*	NOT EARLY ADOPTED		
PFRS 12	Disclosure of Interests in Other Entities	✓		
	PFRS 12 (Amendments) - *Investment Entities*			✓
PFRS 13	Fair Value Measurement	✓		
Philippine Accounting Standards (PAS)				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	PAS 32 and PAS 1 (Amendments) - *Puttable Financial Instruments and Obligations Arising from Liquidation*			✓
	PAS 1 (Amendments) - *Presentation of Items of Other Comprehensive Income*	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Date	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	PAS 12 (Amendments) - *Deferred Tax: Recovery of Underlying Assets*			✓
PAS 16	Property, Plant and Equipment	✓		
	PAS 16 (Amendments) - *Clarification of Acceptable Methods of Depreciation and Amortization*	NOT EARLY ADOPTED		
	PAS 16 (Amendments) - *Bearer Plants*	NOT EARLY ADOPTED		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	PAS 19 (Amendments) - *Defined Benefit Plans: Employee Contributions*	NOT EARLY ADOPTED		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	PAS 21 (Amendments) - *Net Investment in a*	✓		

		Adopted	Not Adopted	Not Applicable
	Foreign Operation			
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	PAS 27 (Amendments) - *Investment Entities*			✓
	PAS 27 (Amendments) - *Equity Method in Separate Financial Statements*	NOT EARLY ADOPTED		
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	PAS 28 (Amendments) - *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	NOT EARLY ADOPTED		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	PAS 32 and PAS 1 (Amendments) - *Puttable Financial Instruments and Obligations Arising on Liquidation*			✓
	PAS 32 (Amendments) - *Classification of Rights Issues*			
	PAS 32 (Amendments) - *Offsetting Financial Assets and Financial Liabilities*			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
	PAS 36 (Amendments) - *Recoverable Amount Disclosures for Non-financial Assets*	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	PAS 38 (Amendments) - *Clarification of Acceptable Methods of Depreciation and Amortization*	NOT EARLY ADOPTED		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	PAS 39 (Amendments) - *Transition and Initial Recognition of Financial Assets and Financial Liabilities*	✓		
	PAS 39 (Amendments) - *Cash Flow Hedge Accounting of Forecast Intragroup Transactions*			✓
	PAS 39 (Amendments) - *The Fair Value Option*	✓		
	PAS 39 and PFRS 4 (Amendments) - *Financial Guarantee Contracts*			✓
	PAS 39 and PFRS 7 (Amendments) - *Reclassification of Financial Assets*			✓

		Adopted	Not Adopted	Not Applicable
	PAS 39 and PFRS 7 (Amendments) - *Reclassification of Financial Assets - Effective Date and Transition*			✓
	Philippine Interpretation IFRIC 9 and PAS 39 (Amendments) - *Embedded Derivatives*	✓		
	PAS 39 (Amendments) - *Eligible Hedged Items*			✓
	PAS 39 (Amendments) - *Novation of Derivatives and Continuation of Hedge Accounting*			✓
PAS 40	Investment Property			✓
PAS 41	Agriculture			✓
	PAS 41 (Amendments) - *Bearer Plants*	NOT EARLY ADOPTED		
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	*Determining whether an Arrangement Contains a Lease*	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✓
IFRIC 9	Reassessment of Embedded Derivatives	✓		
IFRIC 10	*Interim Financial Reporting and Impairment*			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
IFRIC 15 [a]	Agreements for the Construction of Real Estate			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
SIC 7	Introduction of the Euro			✓

		Adopted	Not Adopted	Not Applicable
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓
Annual Improvements to PFRSs (2010-2012 Cycle)				
PAS 16	Property, Plant and Equipment -*Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*	NOT EARLY ADOPTED		
PAS 38	Intangible Assets - *Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*	NOT EARLY ADOPTED		
PAS 24	Related Party Disclosures - *Key Management Personnel*	NOT EARLY ADOPTED		
PFRS 2	Share-based Payment - *Definition of Vesting Condition*	NOT EARLY ADOPTED		
PFRS 3	Business Combinations - *Accounting for Contingent Consideration in a Business Combination*	NOT EARLY ADOPTED		
PFRS 8	Operating Segments - *Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*	NOT EARLY ADOPTED		
Annual Improvements to PFRSs (2011-2013 Cycle)				
PAS 40	Investment Property	NOT EARLY ADOPTED		
PFRS 3	Business Combinations - *Scope Exceptions for Joint Arrangements*	NOT EARLY ADOPTED		
PFRS 13	Fair Value Measurement - *Portfoliio Exception*	NOT EARLY ADOPTED		
Annual Improvements to PFRSs (2012-2014 Cycle)				
PAS 19	Employee Benefits - *Regional Market Issue Regarding Discount Rate*	NOT EARLY ADOPTED		
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations - *Changes in Methods of Disposal*	NOT EARLY ADOPTED		
PFRS 7	Financial Instruments: Disclosures - *Servicing Contracts*	NOT EARLY ADOPTED		

[a] The effective date of this interpretation was deferred until the final Revenue standard is issued.

EXHIBIT 3

2014 Audited Annual Financial Statements,
IMI International (Singapore) Pte Ltd

Company Registration No. 200502337G

IMI International (Singapore) Pte Ltd

Annual Financial Statements
31 December 2014

IMI International (Singapore) Pte Ltd

General Information

Directors

Arthur R. Tan
Chng Poh Guan
Jerome Su Tan

Company Secretary

Chang Ai Ling

Registered Office

50 Raffles Place
Singapore Land Tower, #32-01
Singapore 048623

Bankers

Bank of the Philippine Islands
Citibank
Standard Chartered Bank

Auditor

Ernst & Young LLP

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The directors are pleased to present their report to the member together with the audited financial statements of IMI International (Singapore) Pte Ltd (the "Company") for the financial year ended 31 December 2014.

Directors

The directors of the Company in office at the date of this report are:

Arthur R. Tan
Chng Poh Guan
Jerome Su Tan

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, an interest in shares of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct interest	
	At the beginning of financial year or at date of appointment	**At the end of financial year**
Ultimate holding company		
Ayala Corporation		
Ordinary shares of 1 Peso each		
Arthur R. Tan	247,454	276,460
Immediate holding company		
Integrated Micro-Electronics, Inc.		
Ordinary shares of 1 Peso each		
Arthur R. Tan	2,279,252	2,279,252
Chng Poh Guan	20,000	20,000
Employee Stock Ownership Plan		
Arthur R. Tan	5,000,000	17,744,300
Jerome Su Tan	–	3,241,033

Except as disclosed in this report, no other director who held office at the end of the financial year had an interest in any shares, share options or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

Employee Stock Ownership Plan ("ESOWN")

The Employee Stock Ownership Plan is a privilege given to eligible employees of Intermediate holding company, Integrated Micro-Electronics, Inc. whereby it allocates up to 10% of its authorized capital stock for subscription by said personnel under certain terms and conditions stipulated in the plan. The term of payment is eight years for all subscriptions from same grant, reckoned from date of subscription. Full settlement of the subscription is allowed after the holding period as follow: (1) 40% after 1 year from subscription date (2) 30% after 2 years from subscription date and (3) 30% after 3 years from subscription date.

Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit (other than a benefit or any fixed salary of a full-time employee of the Company included in the aggregate amount of emoluments shown in the financial statements) by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Auditor

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the board of directors,

Arthur R. Tan
Director

Jerome Su Tan
Director

Singapore
8 April 2015

We, Arthur R. Tan and Jerome Su Tan, being two of the directors of IMI International (Singapore) Pte Ltd, do hereby state that, in the opinion of the directors,

(i) the accompanying balance sheet, statement of comprehensive income, statement of changes in equity and cash flows statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 December 2014 and the results of the business, changes in equity and cash flows of the Company for the year ended on that date, and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due as the immediate holding company has given an undertaking in terms of the Company's obligations as a going concern.

On behalf of the board of directors,

Arthur R. Tan
Director

Jerome Su Tan
Director

Singapore
8 April 2015

Independent Auditor's Report to the member of IMI International (Singapore) Pte Ltd

Report on the financial statements

We have audited the accompanying financial statements of IMI International (Singapore) Pte Ltd (the "Company"), set out on pages 6 to 38, which comprise the balance sheet of the Company as at 31 December 2014, the statement of comprehensive income, the statement of changes in equity and cash flow statement of the Company for the year 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 of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore 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 auditor's 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 auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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.

Independent Auditor's Report to the member of IMI International (Singapore) Pte Ltd

Opinion

In our opinion, the financial statements are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Company for the year ended on that date.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

8 April 2015

IMI International (Singapore) Pte Ltd

Statement of Comprehensive Income
For the financial year ended 31 December 2014

	Note	2014 $'000	2013 $'000
Revenue	3	4,363	4,649
Cost of sales		(4,092)	(4,294)
Gross profit		271	355
Other operating income	4	5,425	15,050
Administrative expenses		(1,840)	(519)
Finance costs	7	(2)	(5)
Profit before taxation	5	3,854	14,881
Taxation	8	(22)	(10)
Profit for the year		3,832	14,871
Other comprehensive income:		–	–
Total comprehensive income for the year		3,832	14,871

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Balance Sheet
As at 31 December 2014

	Note	2014 $'000	2013 $'000
Non-current assets			
Property, plant and equipment	9	331	144
Investment in subsidiaries	10	128,034	128,003
Investment security	11	–	1,350
Current assets			
Other receivables, deposits and prepayments	12	181	111
Due from immediate holding company	13	900	1,212
Due from related parties	13	255	144
Due from a subsidiary	13	28,812	28,812
Cash and cash equivalents	14	1,134	968
		31,282	31,247
Current liabilities			
Other payables and accruals	15	2,175	2,001
Provision for taxation		11	6
Due to immediate holding company	16	80,642	80,479
Due to a subsidiary	16	–	5,424
		82,828	87,910
Net current liabilities		(51,546)	(56,663)
Net assets		76,819	72,834
Equity attributable to owner of the Company			
Share capital	17	35,958	35,958
Reserves	18	40,861	36,876
Total equity		76,819	72,834

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

IMI International (Singapore) Pte Ltd

Statement of Changes in Equity
For the year ended 31 December 2014

	Share capital (Note 17) $'000	Capital contribution reserves (Note 18a) $'000	Revenue reserves (Note 18b) $'000	Total $'000
Balance at 1 January 2014	35,958	3,142	33,734	72,834
Profit for the year	–	–	3,832	3,832
Total comprehensive income for the year	–	–	3,832	3,832
Contributions by and distributions to owner				
Grant of equity-settled share options in immediate holding company to employees	–	153	–	153
Total transactions with owner in their capacity as owner	–	153	–	153
At 31 December 2014	35,958	3,295	37,566	76,819
Balance at 1 January 2013	35,958	3,132	18,863	57,953
Profit for the year	–	–	14,871	14,871
Total comprehensive income for the year	–	–	14,871	14,871
Contributions by and distributions to owner				
Grant of equity-settled share options in immediate holding company to employees	–	10	–	10
Total transactions with owner in their capacity as owner	–	10	–	10
At 31 December 2013	35,958	3,142	33,734	72,834

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

IMI International (Singapore) Pte Ltd

Cash Flow Statement
For the year ended 31 December 2014

	2014 $'000	2013 $'000
Cash flows from operating activities		
Profit before taxation	3,854	14,881
Adjustments for:		
Gain on disposal of property, plant and equipment	–	(1)
Depreciation of property, plant and equipment (Note 5 and 9)	139	121
Interest expense (Note 7)	2	5
Interest income (Note 4)	(1)	(1)
Share option expenses	122	4
Unrealised exchange (gain)loss	(14)	(8)
Dividend income (Note 4)	(5,424)	(15,048)
Write-off for investment security (Note 5 and 11)	1,350	–
Operating cashflows before working capital changes	28	(47)
Increase in other receivables, deposits and prepayments	(76)	(68)
Decrease/(increase) in amount due from immediate holding company	312	(776)
Increase in amount due from a related parties	(111)	(27)
Increase in other payables and accruals	162	748
Cash generated/(used in) from operations	315	(170)
Interest received	1	1
Interest paid	(2)	(5)
Income taxes paid	(17)	(14)
Net cash generated from/(used in) operating activities	297	(188)
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	–	14
Purchase of property, plant and equipment (Note 9)	(326)	(28)
Net cash used in investing activities	(326)	(14)
Cash flows from financing activities		
Increase in amount due to immediate holding company	208	109
Net cash generated from financing activities	208	109
Net increase/(decrease) in cash and cash equivalents	179	(93)
Effect of exchange rate fluctuations on cash and cash equivalents	(13)	(25)
Cash and cash equivalents at beginning of year (Note 14)	968	1,086
Cash and cash equivalents at end of year (Note 14)	1,134	968

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. Corporate information

IMI International (Singapore) Pte Ltd (the "Company") is a private limited company incorporated and domiciled in Singapore. The immediate holding company is Integrated Micro-Electronics Inc. ("IMI") which is incorporated in the Republic of the Philippines and listed in the Philippine Stock Exchange ("PSE"). IMI is a subsidiary of AYC Holdings, Ltd.. ("AYC"), a corporation incorporated in British Virgin Islands and a wholly-owned subsidiary of AC International Finance Ltd under the umbrella of Ayala Corporation ("AC"), a corporation incorporated in the Republic of the Philippines and listed in the PSE.

The registered office of the Company is located at 50 Raffles Place, Singapore Land Tower, #32-01, Singapore 048623 and its principal place of business is located at Speedy-Tech Industrial Building, 20 Kian Teck Lane, Singapore 627854.

The principal activities of the Company are the procurement of raw materials, suppliers and provision of customer services.

The principal activities of the subsidiaries are disclosed in Note 10 to the financial statements.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

The financial statements of the Company have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

As at 31 December 2014, the Company was in a net current liability position of $51,547,000 (2013: $56,663,000). These factors indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as going concern.

The directors are of the opinion that the financial statements of the Company can be prepared on a going concern basis as the immediate holding company has given an undertaking in terms of the Company's obligations as a going concern.

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in United States Dollars (USD or $) and all values in the tables are rounded to the nearest thousand ($'000) as indicated.

Pursuant to Section 201(3BA) of the Singapore Companies Act and Singapore Financial Reporting Standards No. 27, Consolidated Financial Statements and Accounting for Investments in Subsidiaries, the Company need not prepare consolidated financial statements as the Company is itself a wholly-owned subsidiary of Integrated Micro-Electronics Inc., which prepared one set of consolidated financial statements incorporating the financial statements of the Company and its subsidiaries. The registered office of Integrated Micro-Electronics Inc. is North Science Avenue, Laguna Technopark, Biñan, Laguna.

2. Summary of significant accounting policies (cont'd)

2.2 *Changes in accounting polices*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Company has adopted all the new and revised standards that are effective for annual periods beginning on or after 1 January 2014. The adoption of these standards did not have any effect on the financial performance or position of the Company.

2.3 *Standards issued but not yet effective*

The Group has not adopted the following relevant standards and interpretations that have been issued but not yet effective:

Description	*Effective for annual periods beginning on or after*
Amendments to FRS 19 *Defined Benefit Plans: Employee Contributions*	1 July 2014
Improvements to FRSs (January 2014)	
(a) Amendments to FRS 102 *Share Based Payment*	1 July 2014
(b) Amendments to FRS 103 *Business Combinations*	1 July 2014
(c) Amendments to FRS 108 *Operating Segments*	1 July 2014
(d) Amendments to FRS 113 *Fair Value Measurement*	1 July 2014
(e) Amendments to FRS 16 *Property, Plant and Equipment* and FRS 38 *Intangible Assets*	1 July 2014
(f) Amendments to FRS 24 *Related Party Disclosures*	1 July 2014
Improvements to FRSs (February 2014)	
(a) Amendments to FRS 103 *Business Combinations*	1 July 2014
(b) Amendments to FRS 113 *Fair Value Measurement*	1 July 2014
FRS 114 *Regulatory Deferral Accounts*	1 January 2016
Amendments to FRS 27 *Equity Method in Separate Financial Statements*	1 January 2016
Amendments to FRS 16 and FRS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Amendments to FRS 111 *Accounting for Acquisition of Interests in Joint Operations*	1 January 2016
Amendments to FRS 110 and FRS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	1 January 2016
Improvements to FRSs (November 2014)	
(a) Amendments to FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*	1 January 2016
(b) Amendments to FRS 107 *Financial Instruments: Disclosures*	1 January 2016
(c) Amendment to FRS 19 *Employee Benefits*	1 January 2016
(d) Amendment to FRS 34 *Interim Financial Reporting*	1 January 2016
Amendments to FRS 1 *Disclosure Initiative*	
Amendments to FRS 110, FRS 112 and FRS 28 *Investment Entity: Applying the Consolidation Exception*	1 January 2016
FRS 115 *Revenue from Contracts with Customers*	1 January 2017
FRS 109 *Financial Instruments*	1 January 2018

Except for FRS 115 and FRS 109, the directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 115 and FRS 109 are described below.

2. Summary of significant accounting policies (cont'd)

2.3 *Standards issued but not yet effective (cont'd)*

FRS 115 Revenue from Contracts with Customers

FRS 115 was issued in November 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under FRS 115 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under FRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

FRS 109 Financial Instruments

FRS 109 Financial Instruments was issued in December 2014 which reflects all phases of the financial instruments project and replaces FRS 39 Financial Instruments: Recognition and Measurement. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. FRS 109 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory in the year of adoption. The adoption of FRS 109 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

2.4 *Foreign currency*

The financial statements are presented in United States Dollars, which is also the Company's functional currency.

Transactions and balances

Transactions in foreign currencies are measured in the functional currency of the Company and are recorded on initial recognition in the functional currency at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

2.5 *Subsidiaries*

A subsidiary is an entity over which the Company has the power to govern the financial and operating policies so as to obtain benefits from its activities. The Company generally has such power when it directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

Investments in subsidiaries are accounted for at cost less any impairment losses.

2. Summary of significant accounting policies (cont'd)

2.6 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is computed on a straight-line basis with a residual value of 0% to 10% over the estimated useful life of the asset. Motor vehicles are estimated to have useful lives of three to four years.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

2.7 *Impairment of non-financial assets*

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2. Summary of significant accounting policies (cont'd)

2.8 *Financial instruments*

(a) ***Financial assets***

Initial recognition and measurement

Financial assets are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

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

(i) ***Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Company. Derivatives, including separated embedded derivatives are also classified as held for trading.

The Company has not designated any financial assets upon initial recognition at fair value through profit or loss.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

2. Summary of significant accounting policies (cont'd)

2.8 *Financial instruments (cont'd)*

(a) ***Financial assets (cont'd)***

Subsequent measurement (cont'd)

(i) ***Financial assets at fair value through profit or loss (cont'd)***

(ii) ***Loans and receivables***

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(iii) ***Held-to-maturity investments***

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold the investment to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

(iv) ***Available-for-sale financial assets***

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

2. Summary of significant accounting policies (cont'd)

2.8 *Financial instruments (cont'd)*

(a) *Financial assets (cont'd)*

Subsequent measurement (cont'd)

(iv) *Available-for-sale financial assets (cont'd)*

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases and sales

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

(b) *Financial liabilities*

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

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

(i) *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

2. Summary of significant accounting policies (cont'd)

2.8 *Financial instruments (cont'd)*

(b) *Financial liabilities (cont'd)*

Subsequent measurement (cont'd)

(i) *Financial liabilities at fair value through profit or loss*

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

The Company has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

(ii) *Financial liabilities at amortised cost*

After initial recognition, financial liabilities are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

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

2.9 *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Company's cash management.

2.10 *Other receivables*

Other receivables, including amounts due from immediate holding company, related party and subsidiaries are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.8.

An allowance is made for uncollectible amounts when there is objective evidence that the Company will not be able to collect the debt. Bad debts are written off when identified. Further details on the accounting policy for impairment of financial assets are stated in Note 2.11 below.

2. Summary of significant accounting policies (cont'd)

2.11 *Impairment of financial assets*

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired.

(a) ***Financial assets carried at amortised cost***

For financial assets carried at amortised cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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 recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.11 *Impairment of financial assets (cont'd)*

(b) ***Financial assets carried at cost***

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

2.12 *Other payables*

Other payables and payables to related parties are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

2.13 *Provisions*

Provisions are recognised 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 the amount of the obligation can be estimated reliably.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.14 *Employee benefits*

Defined contribution plans

The Company participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Company makes contributions to the Central Provident Fund (CPF) scheme in Singapore, a defined contribution pension scheme under FRS 19 - Employee benefits. Contributions to CPF scheme are recognised as an expense in the period in which the related service is performed.

2. Summary of significant accounting policies (cont'd)

2.14 *Employee benefits (cont'd)*

Defined benefit plans

IMI maintains a defined benefit plan covering substantially all of its employees, including the employees of the Headquarters. IMI allocates pension expense to the Headquarters according to IMI's best estimate based on the prevailing basic pay of the employees, including the employees of the Headquarters. The plan is a funded, non-contributory pension plan administered by a Board of Trustees. Pension expense is actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with the option to accelerate when significant changes to underlying assumptions occur. Pension cost includes current service cost, interest cost, expected return on any plan assets, actuarial gains and losses, past service cost and the effect of any curtailment or settlement.

A portion of the actuarial gains and losses is recognized as income or expense if the cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceeded the greater of 10% of the present value of the defined benefit obligation or 10% of the fair value of the plan assets. These gains and losses are recognized over the expected average remaining working lives of employees participating in the plan.

Past service costs, if any, are recognized immediately in profit or loss, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period. The net pension asset recognized in respect of the defined benefit pension plan is the lower of: (a) the fair value of the plan assets less the present value of the defined benefit obligation at the reporting date, together with adjustments for unrecognized actuarial gains or losses and past service costs that shall be recognized in later periods; or (b) the total of any cumulative unrecognized net actuarial loss and past service cost and the present value of any economic benefit available in the form of refunds from the plan or reductions in future contributions to the plan. If there is no minimum funding requirement, an entity shall determine the economic benefit available as a reduction in future contributions as the lower of: (a) the surplus in the plan; and (b) the present value of the future service cost to the entity, excluding any part of the future cost that will be borne by employees, for each year over the shorter of the expected life of the plan and the expected life of the entity.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using risk-free interest rates of government bonds that have terms to maturity approximating the terms of the related pension liability or applying a single weighted average discount rate that reflects the estimated timing and amount of benefit payments.

2. Summary of significant accounting policies (cont'd)

2.14 *Employee benefits (cont'd)*

Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

Equity-settled transactions

The cost of equity-settled transactions with employees was measured by reference to the fair value at the date on which the share options are granted. In valuing the share options, no account was taken of any performance conditions, other than conditions linked to the price of the shares of the company ('market conditions'), if applicable.

The cost of equity-settled transactions was recognised, together with a corresponding increase in the employee share option reserve, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date').

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

Since the scheme was cancelled after the vesting period, share option reserves representing the cumulative share option expense recognised was retained as part of equity.

2.15 *Revenue*

Revenue is recognised 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 made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company assesses its revenue arrangements to determine if it is acting as principal or agent. The following specific recognition criteria must also be met before revenue is recognised:

(a) ***Rendering of services***

Revenue is recognised when the related services have been rendered.

(b) ***Interest income***

Interest income is recognised using the effective interest method.

2. Summary of significant accounting policies (cont'd)

2.16 *Taxes*

(a) *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Company operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2. Summary of significant accounting policies (cont'd)

2.16 *Taxes (cont'd)*

(b) *Deferred tax (cont'd)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

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

2.17 *Derivative financial instruments*

The Company uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gain or losses arising from changes in fair value on derivative financial instruments that do not qualify for hedge accounting are taken to profit or loss for the year.

2. Summary of significant accounting policies (cont'd)

2.18 *Share capital and share issuance expenses*

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.19 *Related parties*

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Company if that person:

- (i) Has control or joint control over the Company;
- (ii) Has significant influence over the Company; or
- (iii) Is a member of the key management personnel of the Company or of a parent of the Company.

(b) An entity is related to the Company if any of the following conditions applies:

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2. Summary of significant accounting policies (cont'd)

2.20 *Significant accounting estimates and judgements*

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

(a) ***Key sources of estimation uncertainty***

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below.

(i) ***Impairment of investment in subsidiaries***

The Company assesses at each reporting date whether there is an indication that the investment in subsidiaries may be impaired. This requires an estimation of the value in use of the cash generating units. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Company's investment in subsidiaries at 31 December 2014 was $128,034,000 (2013: $128,003,000).

(b) ***Critical judgements made in applying accounting policies***

In the process of applying the Company's accounting policies, management has not made any judgements, apart from those involving estimates, which have the most significant effects on the amounts recognised in the financial statements.

3. Revenue

Revenues relate to service fees provided by the Headquarters to IMI and PSi Technologies, Inc. (PSi), a related party.

4. Other operating income

	2014 $'000	2013 $'000
Dividend income from subsidiary	5,424	15,048
Interest income from loans and receivables	1	1
Gain on disposal of property, plant and equipment	–	1
	5,425	15,050

5. Profit before taxation

Profit before taxation is stated after charging/(crediting) the following:

	2014 $'000	2013 $'000
Employee benefits expense (Note 6)	4,235	4,424
Write-off for investment security (Note 11)	1,350	–
Depreciation of property, plant and equipment (Note 9)	139	121
Exchange gain, net	(75)	(20)

6. Employee benefits expense

	2014 $'000	2013 $'000
Wages, salaries and bonuses	3,894	4,217
Other personnel benefits	219	203
Share option expenses	122	4
	4,235	4,424

Share options expenses relate to the difference between the fair value and the subscription price of the share of the immediate holding company's ESOWN granted to employees of the Company. Details of the ESOWN are disclosed in the financial statement of the immediate holding company.

7. Finance costs

	2014 $'000	2013 $'000
Interest expense - bank charges	2	5

8. Taxation

Major components of taxation

The components of taxation for the year ended 31 December 2014 and 2013 are:

	2014 $'000	2013 $'000
Current income tax		
Current year	22	10
Tax expense recognised in the statement of comprehensive income	22	10

8. Taxation (cont'd)

Major components of taxation (cont'd)

The Headquarters derives income in the Philippines by charging service fees to IMI and PSi, a related party. It is subject to the following tax rules, among others:

- Its taxable income is taxed at 10%. Remittances to the Company are subject to the Headquarters profit tax of 15%;
- It is exempted from all kinds of local taxes, fees or charges, except real property tax on land improvements and equipment tax;
- The importation of equipment and materials for training and conferences which are needed and used solely for its functions, and which are not available locally, are tax and duty free, subject to the approval of the Board of Investments; and
- The gross income of its local and foreign employees is taxed at the preferential rate of 15%.

Relationship between taxation and accounting profit

A reconciliation between the taxation and the product of accounting profit multiplied by the applicable tax rate for the years ended 31 December 2014 and 2013 are as follows:

	2014 $'000	**2013** $'000
Accounting profit before taxation	3,854	14,881
Tax at the applicable statutory tax rate of 17% (2013: 17%)	655	2,530
Adjustments:		
Tax effect of expenses not deductible for tax purposes	309	30
Income not subject to taxation	(927)	(2,558)
Effect of differences in tax rates in other countries where Company operates	(15)	8
Tax expense recognised in the statement of comprehensive income.	22	10

9. Property, plant and equipment

	Motor vehicles $'000
Cost	
At 1 January 2013	608
Additions	28
Disposals/written off	(31)
At 31 December 2013 and 1 January 2014	605
Additions	326
At 31 December 2014	931
Accumulated depreciation	
At 1 January 2013	358
Charge for the year	121
Disposal/written off	(18)
At 31 December 2013 and 1 January 2014	461
Charge for the year	139
At 31 December 2014	600
Net carrying amount	
At 31 December 2013	144
At 31 December 2014	331

Motor vehicles pertain to cars used by the employees of the Headquarters. It includes cars which were transferred from IMI on July 1, 2009 at book value of $0.15 million at the time of transfer.

Fully depreciated transportation equipment is transferred to the senior personnel assigned to it. Cost of fully depreciated transportation equipment still in use amounted to $0.41 million and $0.20 million as of December 31, 2014 and 2013, respectively.

10. Investment in subsidiaries

	2014 $'000	2013 $'000
Unquoted equity shares, at cost	128,034	128,003

The cash consideration equivalent to €4,850,000 infused as additional capital by IMI and used by the Company to set up Monarch and Cooperatief was previously recorded as "Due from subsidiaries" in 2011. On December 18, 2013, the Company applied for 48,985,402 shares of HKD1.00 each in the capital of Monarch equivalent to €4,801,500 (US$6,320,684) at the time of conversion which represents 99% ownership interests in Monarch.

Details of the subsidiaries are as follows:

Name	Country of incorporation	Principal activities	Effective equity interest held by the Group 2014 %	2013 %
Held by the Company				
Speedy-Tech Electronics Ltd *	Singapore	Provision of electronic manufacturing service and manufacturing of Power Electronics, marketing and procurement	100	100
Monarch Elite Ltd #	Hong Kong	Investment holding	99	99
Cooperatief IMI Europe U.A.**	Netherlands	Provision of material needs of its members, pursuant to agreements concluded with its members in respect of the business that it carries on or procures to be carried on for the benefit of its members	1	1
Held by Speedy-Tech Electronics Ltd				
Speedy-Tech Electronics (HK) Limited # ("STHK")	Hong Kong	Procurement, marketing and supply chain services	100	100
Speedy-Tech (Philippines) Inc. # ("STPHIL")	Philippines	Provision of electronic manufacturing service and manufacturing of Power Electronics, marketing and procurement	99.99	99.99

10. Investment in subsidiaries (cont'd)

Name	Country of incorporation	Principal activities	Effective equity interest held by the Group 2014	2013
Held by Speedy-Tech Electronics Ltd (cont'd)				
Shenzhen Speedy-Tech Electronics Co., Ltd. # ("SZSTE")	People's Republic of China	Provision of electronic manufacturing service and manufacturing of Power Electronics, marketing, procurement and research and development	99.48	99.48
Speedy-Tech Electronics Inc. **	United States of America	Marketing, liaison and support services (dormant)	100	100
Speedy-Tech Electronics (Jiaxing) Co. Ltd. # ("STJX")	People's Republic of China	Provision of electronic manufacturing service and manufacturing of Power Electronics, marketing and procurement	100	100
Speedy-Tech Electronics (Chong Qing) Co. Ltd. ("STCQ") ##	People's Republic of China	Provision of electronic manufacturing service and manufacturing of Power Electronics, marketing and procurement	100	100
IMI (Cheng Du) Ltd. ("IMICD") #	People's Republic of China	Provision of electronic manufacturing services and manufacture of Power Electronics, marketing and procurement	100	100
Held by Monarch Elite Ltd				
Cooperatief IMI Europe U.A.**	Netherlands	Provision of material needs of its members, pursuant to agreements concluded with its members in respect of the business that it carries on or procures to be carried on for the benefit of its members	99	99

10. Investment in subsidiaries (cont'd)

Name	Country of incorporation	Principal activities	Effective equity interest held by the Group 2014	2013
Held by Cooperatief IMI Europe U.A.				
IMI Bulgaria EOOD (IMI BG) #	Bulgaria	Production of electronic modules for domestic goods and automobile manufacturing	100	100
Microenergia EOOD #	Bulgaria	Supply of water, refurbishment and infrastructure maintenance activities	100	70
IMI Czech Republic s.r.o (IMI CZ) #	Czech Republic	Installation and repairs of products and equipment of consumer electronics; purchase of goods for the purpose of resale thereof, and sale of goods; leasing of real property, residential and non-residential premises without provision of other than basic services ensuring proper operation of the real property, residential and non-residential premises	100	100
IMI Mexico, S.A.P.I de C.V. (IMI MX) #	Mexico	Manufacture and sale of electronic components and plastic injection moulding primarily for the automotive and household industries	100	100
IMI Manufactura S.A.P.I de C.V. #	Mexico	Provides operation and management services	100	100
IMI France SAS @	France	Employer of executives in EPIQ subsidiaries	100	100

* Audited by Ernst & Young LLP, Singapore.
# Audited by member firms of Ernst & Young Global in the respective countries.
** No audit is required by the law of its country of incorporation.
Audited by Jiaxing Hengxin Certified Public Accountants Co., Ltd, Certified Public Accountants in the PRC.
@ Audited by SEGEC in France.

Speedy-Tech Electronics (Chong Qing) Co., Ltd ("STCQ") is in the process of winding up.

11. Investment security

	2014 $'000	2013 $'000
Available-for-sale financial asset (Note 21)		
Class A common stock - 8% non-cumulative, convertible preferred shares, at cost	–	1,350
	–	1,350

In 2014, due to the investee company's financial difficulties, the full amount of the investment was written off and is included under "Administrative Expenses" account in the statements of comprehensive income.

12. Other receivables, deposits and prepayments

	2014 $'000	2013 $'000
Other receivables	17	24
Tax credits	143	67
Prepayments	21	20
	181	111

Included in other receivables are the following amounts denominated in foreign currencies at 31 December:

	2014 $'000	2013 $'000
Philippine Peso	17	24

The carrying amounts of loans and receivables comprise:

	2014 $'000	2013 $'000
Other receivables and deposits	17	24
Cash and cash equivalents	1,134	968
Due from immediate holding company	900	1,212
Due from related parties	255	144
Due from a subsidiary	28,812	28,812
Total loans and receivables	31,118	31,160

13. Due from immediate holding company, related parties and a subsidiary

Amounts due from immediate holding company and related parties are trade related, unsecured, interest-free, with a 30 days of credit term and to be settled in cash.

Amounts due from a subsidiary are non-trade related, unsecured, interest-free, repayable on demand and to be settled in cash.

14. Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise the following at the balance sheet date:

	2014 $'000	2013 $'000
Cash and cash equivalents	1,134	968

Cash and cash equivalents denominated in foreign currencies at 31 December are as follows:

	2014 $'000	2013 $'000
Singapore Dollar	326	358
Philippines Peso	67	32

15. Other payables and accruals

	2014 $'000	2013 $'000
Accrued operating expenses	2,041	1,933
Other payables	134	68
	2,175	2,001
Add:		
Due to immediate holding company	80,642	80,479
Due to a subsidiary	–	5,424
Total financial liabilities carried at amortised cost	82,817	87,904

Accrued operating expenses include accruals for salaries and benefits such as leave credits and bonuses.

Included in other payables are the following amounts denominated in foreign currencies at 31 December:

	2014 $'000	2013 $'000
Singapore Dollar	23	14
Philippine Peso	1,866	1,987

16. Due to immediate holding company and a subsidiary

Amounts due to immediate holding company and a subsidiary of the Company are non-trade in nature, unsecured, interest-free, repayable on demand and to be settled in cash.

17. Share capital

	2014		2013	
	No. of Shares '000	$'000	No. of Shares '000	$'000
Issued and fully paid				
At 1 January and 31 December	43,277	35,958	43,277	35,958

The holder of ordinary shares is entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

18. Reserves

(a) ***Capital contribution reserves***

Capital contribution reserves are made up of the difference between the fair value and the subscription price of the share of the immediate holding company's Employee Stock Ownership Plan ("ESOWN") granted to employees of the Group.

(b) ***Revenue reserves***

Revenue reserves of the Company are available for distribution as dividends.

19. Related party transactions

(a) ***Sale and purchase of goods and services***

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Company and related parties took place at terms agreed between the parties during the financial year:

	2014 $'000	2013 $'000
Service fees from:		
Immediate holding company	4,255	4,539
Related parties	108	111
Share option expenses from:		
Immediate holding company	122	4

19. Related party transactions (cont'd)

(b) *Compensation of key management personnel*

	2014 $'000	2013 $'000
Short-term employee benefits	3,894	4,217
Pension and post-employment medical benefits	219	203
Share option expenses	122	4
Total compensation entitled to key management personnel	4,235	4,424
Comprise amounts entitled to :		
• Directors of the Company	1,603	1,698
• Other key management personnel	2,632	2,726
	4,235	4,424

20. Financial risk management objectives and policies

The Company's principal financial instruments, other than derivative financial instruments, comprise cash and short term deposits. The main purpose of these financial instruments is to finance the Company's operations. The Company has various other financial assets and liabilities such as other receivables and other payables, which arise directly from its operations.

It is, and has been throughout the year under review, the Company's policy that no trading in derivative financial instruments shall be undertaken.

Foreign currency risk

The Company is exposed to foreign currency risk from revenues generated and cost incurred in foreign currencies, principally in Singapore Dollar ("SGD") and Philippine Peso ("PHP"). The Company does not enter into forward foreign exchange contracts to hedge against its foreign exchange risk resulting from sale and purchase transactions denominated in foreign currencies.

The Company manages its foreign exchange exposure risk by matching, as far as possible, receipts and payments in each individual currency. Foreign currency is converted into the relevant domestic currency as and when the management deems necessary. The unhedged exposure is reviewed and monitored closely on an ongoing basis and management will consider to hedge any material exposure where appropriate.

20. Financial risk management objectives and policies (cont'd)

Foreign currency risk (cont'd)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in SGD and PHP exchange rates (against USD), with all other variables held constant, of the Company's loss net of tax.

			2014 $'000 Profit net of tax Increase/(decrease)	2013 $'000 Profit net of tax Increase/(decrease)
SGD	–	strengthened 1% (2013: 1%)	(7)	(7)
	–	weakened 1% (2013: 1%)	7	7
PHP	–	strengthened 1% (2013: 1%)	(20)	(20)
	–	weakened 1% (2013: 1%)	20	20

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

In the management of liquidity risk, the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the directors to finance the Company's operations and mitigate the effects of fluctuations in cash flows.

The table below summarises the maturity profile of the Company's financial liabilities at the balance sheet date based on the contractual undiscounted payments.

	2014		2013	
	1 year or less $'000	**Total** $'000	**1 year or less** $'000	**Total** $'000
Financial assets:				
Other receivables and deposits	17	17	24	24
Due from immediate holding company	900	900	1,212	1,212
Due from related parties	255	255	144	144
Due from a subsidiary	28,812	28,812	28,812	28,812
Cash and cash equivalents	1,134	1,134	968	968
Total undiscounted financial assets	31,118	31,118	31,160	2,415
Financial liabilities:				
Other payables and accruals	2,175	2,175	2,001	2,001
Due to immediate holding company	80,642	80,642	80,479	80,479
Due to a subsidiary	–	–	5,424	5,424
Total undiscounted financial liabilities	82,817	82,817	87,904	87,904
Total net undiscounted financial (liabilities)/assets	(51,699)	(51,699)	56,744	56,744

20. Financial risk management objectives and policies (cont'd)

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Company's exposure to credit risk arises primarily from other receivables. For other financial assets (including cash and cash equivalents), the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

Credit risk, or the risk of counterparties defaulting, is managed through the application of credit approvals, credit limits and monitoring procedures. Where appropriate, the Company and its subsidiaries obtain collateral from the customer or arrange master netting agreements. Cash terms, advance payments, and letters of credit are required for customers of lower credit standing.

Exposure to credit risk

At the balance sheet date, the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheets.

21. Fair value of financial instruments

(a) Fair value hierarchy

The Group categories fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other that quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(b) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Bank balances, other liquid funds and short-term receivables

The carrying amounts approximate fair values due to the relatively short-term maturity of these instruments.

Other current liabilities

The carrying amounts approximate fair values because of the short period to maturity of these instruments.

21. Fair value of financial instruments (cont'd)

(c) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

Available-for-sale financial assets amounting to $1,350,000 in 2013 are carried at cost because the fair value cannot be measured reliably. This investment is not quoted on any market and does not have any comparable industry peers that are listed. In addition, the variability in the range of reasonable fair value estimates derived from valuation techniques is significant. Consequently it is carried at cost less provision for impairment. In 2014 due to the investee company's financial difficulties, the full amount of these investments was written off and is included under "Administrative Expenses" account in the statements of comprehensive income.

The Company does not have any financial instruments that are carried at fair value or any financial instruments that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value.

22. Capital management

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholder, return capital to shareholder or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2014 and 31 December 2013.

23. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on 8 April 2015.

EXHIBIT 4

2014 Audited Annual Financial Statements,
Speedy-Tech Electronics Ltd and its subsidiaries

Company Registration No. 198502018H

Speedy-Tech Electronics Ltd and its subsidiaries

Annual Financial Statements
31 December 2014

Speedy-Tech Electronics Ltd and its subsidiaries

General Information

Directors

Arthur R. Tan
Chng Poh Guan
Mary Ann Natividad
Jerome Su Tan
Shong Cheng Yeh (resigned on 10 March 2014)

Company Secretary

Chang Ai Ling

Registered Office

50 Raffles Place
Singapore Land Tower, #32-01
Singapore 048623

Bankers

BNP Paribas
DBS Bank Ltd
OCBC Bank
Standard Chartered Bank
JP Morgan Bank
Australia and New Zealand Bank Group Limited

Auditor

Ernst & Young LLP

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The directors are pleased to present their report to the member together with the audited consolidated financial statements of Speedy-Tech Electronics Ltd (the "Company") and its subsidiaries (collectively, the "Group") and the statement of comprehensive income, balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2014.

Directors

The directors of the Company in office at the date of this report are:

Arthur R. Tan
Chng Poh Guan
Mary Ann Natividad
Jerome Su Tan

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, an interest in shares of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct interest	
	At the beginning of financial year or at date of appointment	**At the end of financial year**
Ultimate holding company		
Ayala Corporation		
Ordinary shares of 1 Peso each		
Arthur R. Tan	247,454	276,460
Intermediate holding company		
Integrated Micro-Electronics, Inc.		
Ordinary shares of 1 Peso each		
Arthur R. Tan	2,279,252	2,279,252
Chng Poh Guan	20,000	20,000
Mary Ann Natividad	1,410,000	2,256,935
Employee Stock Ownership Plan		
Arthur R. Tan	5,000,000	17,744,300
Jerome Su Tan	–	3,241,033

Directors' interests in shares and debentures (cont'd)

Except as disclosed in this report, no other director who held office at the end of the financial year had an interest in any shares, share options or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

Employee Stock Ownership Plan ("ESOWN")

The Employee Stock Ownership Plan is a privilege given to eligible employees of Intermediate holding company, Integrated Micro-Electronics, Inc. whereby it allocates up to 10% of its authorized capital stock for subscription by said personnel under certain terms and conditions stipulated in the plan. The term of payment is eight years for all subscriptions from same grant, reckoned from date of subscription. Full settlement of the subscription is allowed after the holding period as follow: (1) 40% after 1 year from subscription date (2) 30% after 2 years from subscription date and (3) 30% after 3 years from subscription date.

Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit (other than a benefit or any fixed salary of a full-time employee of the Company included in the aggregate amount of emoluments shown in the financial statements) by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Auditor

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the board of directors,

Arthur R. Tan
Director

Jerome Su Tan
Director

Singapore
8 April 2015

Statement by Directors

We, Arthur R. Tan and Jerome Su Tan, being two of the directors of Speedy-Tech Electronics Ltd, do hereby state that, in the opinion of the directors,

(i) the accompanying balance sheets, statements of comprehensive income, statements of changes in equity and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results of the business and changes in equity of the Group and Company and cash flows of the Group for the year ended on that date, and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the board of directors,

Arthur R. Tan
Director

Jerome Su Tan
Director

Singapore
8 April 2015

Independent Auditor's Report to the member of Speedy-Tech Electronics Ltd

Report on the financial statements

We have audited the accompanying financial statements of Speedy-Tech Electronics Ltd (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 6 to 56, which comprise the balance sheets of the Group and the Company as at 31 December 2014, the statements of comprehensive income and statements of changes in equity of the Group and the Company and the consolidated cash flow statement of the Group for the year 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 of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore 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 auditor's 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 auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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.

Independent Auditor's Report to the member of Speedy-Tech Electronics Ltd

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet, statement of comprehensive income and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results, and changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

8 April 2015

Speedy-Tech Electronics Ltd and its subsidiaries

Statements of Comprehensive Income
For the financial year ended 31 December 2014

(Amounts expressed in United States Dollars)

	Note	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
Revenue	3	326,856	278,478	108,937	92,482
Cost of sales		(293,826)	(255,454)	(104,109)	(89,525)
Gross profit		33,030	23,024	4,828	2,957
Other operating income	4	17,621	1,854	18,192	27,575
Distribution and selling expenses		(6)	(3)	(6)	(2)
Administrative expenses		(21,639)	(20,275)	(6,169)	(4,597)
Finance costs	7	(308)	(379)	(189)	(38)
Profit before tax	5	28,698	4,221	16,656	25,895
Income tax expense	8	(4,355)	(2,183)	–	(408)
Profit for the year		24,343	2,038	16,656	25,487
Other comprehensive income					
Item that may be reclassified subsequently to profit or loss					
Foreign currency translation		(9)	–	–	–
Other comprehensive income for the year, net of tax		(9)	–	–	–
Total comprehensive income for the year		24,334	2,038	16,656	25,487
Attributable to:					
Owner of the Company		24,315	2,030	16,656	25,487
Non-controlling interests		19	8	–	–
Total comprehensive income for the year		24,334	2,038	16,656	25,487
Attributable to :					
Owner of the Company		24,324	2,030	16,656	25,487
Non-controlling interests		19	8	–	–
Profit for the year		24,343	2,038	16,656	25,487

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Speedy-Tech Electronics Ltd and its subsidiaries

Balance Sheets
As at 31 December 2014
(Amounts expressed in United States Dollars)

	Note	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
Non-current assets					
Property, plant and equipment	10	19,379	24,424	426	3,264
Investment in subsidiaries	11	–	–	65,126	65,876
Current assets					
Inventories	12	30,146	31,600	8	596
Trade receivables	13	100,975	97,367	22,155	20,840
Other receivables, deposits and prepayments	14	3,388	3,377	1,334	231
Due from intermediate holding company	15	6,881	7,888	6,145	6,625
Due from immediate holding company	15	–	5,424	–	5,424
Due from subsidiaries	15	–	–	5,082	42,693
Due from related companies	15	14,170	3,616	13,562	3,500
Cash and cash equivalents	16	56,633	31,974	21,904	12,521
		212,193	181,246	70,190	92,430
Current liabilities					
Trade payables	17	60,579	63,700	3,741	5,149
Other payables and accruals	18	17,696	14,397	1,965	2,843
Due to intermediate holding company	15	18,503	23,658	18,243	23,332
Due to subsidiaries	15	–	–	23,509	63,199
Tax payable		2,750	790	16	19
Short term bank loan (unsecured)	19	13,500	3,501	13,500	3,501
		113,028	106,046	60,974	98,043
Net current assets/(liabilities)		99,165	75,200	9,216	(5,613)
Non-current liabilities					
Deferred tax liabilities	20	34	34	1	1
Net assets		118,510	99,590	74,767	63,526
Equity attributable to owner of the Company					
Share capital	21	26,872	26,872	26,872	26,872
Reserves	22	91,425	72,524	47,896	36,654
		118,297	99,396	74,768	63,526
Non-controlling interests		213	194	–	–
Total equity		118,510	99,590	74,768	63,526

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity
For the financial year ended 31 December 2014

(Amounts expressed in United States Dollars)

Group	Share capital (Note 21) $'000	Revaluation reserve (Note 22a) $'000	Capital reserve (Note 22a) $'000	Restricted reserves (Note 22b) $'000	Share option reserve (Note 22c) $'000	Capital contribution reserves (Note 22d) $'000	Revenue reserves (Note 22e) $'000	Reserve of disposal group classified as held for sale $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
	Attributable to owner of the Company										
Opening balance as at 1 January 2013	26,872	1,810	429	9,686	743	2,499	69,426	943	112,408	233	112,641
Profit for the year	–	–	–	–	–	–	2,030	–	2,030	8	2,038
Total comprehensive income for the year	–	–	–	–	–	–	2,030	–	2,030	8	2,038
<u>Contributions by and distributions to owners</u>											
Grant of equity-settled share options in intermediate holding company to employees	–	–	–	–	–	6	–	–	6	–	6
Dividend paid on ordinary shares (Note 9)	–	–	–	–	–	–	(15,048)	–	(15,048)	–	(15,048)
Dividend paid to non-controlling interest	–	–	–	–	–	–	–	–	–	(47)	(47)
Total contributions by and distributions to owners	–	–	–	–	–	6	(15,048)	–	(15,042)	(47)	(15,089)
Total transactions with owners in their capacity as owners											
<u>Others</u>											
Transfer to revenue reserves	–	–	–	–	–	–	943	(943)	–	–	–
Transfer to restricted reserves				520			(520)	–	–	–	–
	–	–	–	520	–	–	423	(943)	–	–	–
Closing balance at 31 December 2013	26,872	1,810	429	10,206	743	2,505	56,831	–	99,396	194	99,590

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

Statements of Changes in Equity
For the financial year ended 31 December 2014 (cont'd)
(Amounts expressed in United States Dollars)

Group	Share capital (Note 21) $'000	Revaluation reserve (Note 22a) $'000	Capital reserve (Note 22a) $'000	Restricted reserves (Note 22b) $'000	Share option reserve (Note 22c) $'000	Capital contribution reserves (Note 22d) $'000	Foreign currency translation reserve (Note 22e) $'000	Revenue reserves (Note 22f) $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
	Attributable to owner of the Company										
Opening balance as at 1 January 2014	26,872	1,810	429	10,206	743	2,505	–	56,831	99,396	194	99,590
Profit for the year	–	–	–	–	–	–	–	24,324	24,324	19	24,343
Other comprehensive income											
Foreign currency translation	–	–	–	–	–	–	(9)	–	(9)	–	(9)
Total comprehensive income for the year	–	–	–	–	–	–	(9)	24,324	24,315	19	24,334
Contributions by and distributions to owners											
Grant of equity-settled share options in intermediate holding company to employees	–	–	–	–	–	10	–	–	10	–	10
Dividend paid on ordinary shares (Note 9)	–	–	–	–	–	–	–	(5,424)	(5,424)	–	(5,424)
Total contributions by and distributions to owners	–	–	–	–	–	10	–	(5,424)	(5,414)	–	(5,414)
Total transactions with owners in their capacity as owners											
Others											
Transfer to restricted reserves	–	–	–	869	–	–	–	(869)	–	–	–
	–	–	–	869	–	–	–	(869)	–	–	–
Closing balance at 31 December 2014	26,872	1,810	429	11,075	743	2,515	(9)	74,862	118,297	213	118,510

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

Speedy-Tech Electronics Ltd and its subsidiaries

Statements of Changes in Equity
For the financial year ended 31 December 2013 (cont'd)
(Amounts expressed in United States Dollars)

Company	Share capital (Note 21) $'000	Share option reserve (Note 22c) $'000	Capital contribution reserves (Note 22d) $'000	Revenue reserves (Note 22f) $'000	Total $'000
At 1 January 2013	26,872	743	2,013	23,453	53,081
Profit for the year	–	–	–	25,487	25,487
Total comprehensive income for the year	26,872	743	2,013	48,940	78,568
Contributions by and distributions to owner					
Grant of equity-settled share options in intermediate holding company to employees	–	–	6	–	6
Dividend paid on ordinary shares (Note 9)	–	–	–	(15,048)	(15,048)
Total transactions with owner in its capacity as owner	–	–	6	(15,048)	(15,042)
At 31 December 2013	26,872	743	2,019	33,892	63,526
At 1 January 2014	26,872	743	2,019	33,892	63,526
Profit for the year	–	–	–	16,656	16,656
Total comprehensive income for the year	26,872	743	2,019	50,548	80,182
Contributions by and distributions to owner					
Grant of equity-settled share options in intermediate holding company to employees	–	–	10	–	10
Dividend paid on ordinary shares (Note 9)	–	–	–	(5,424)	(5,424)
Total transactions with owner in its capacity as owner	–	–	10	(5,424)	(5,414)
At 31 December 2014	26,872	743	2,029	45,124	74,768

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Speedy-Tech Electronics Ltd and its subsidiaries

Consolidated Cash Flow Statement
For the financial year ended 31 December 2014

(Amounts expressed in United States Dollars)

	Note	Group 2014 $'000	Group 2013 $'000
Cash flows from operating activities			
Profit before tax from continuing operations		28,698	4,221
Adjustments:			
(Gain)/loss on disposal of property, plant and equipment	4,5	(14,546)	176
Depreciation of property, plant and equipment	10	6,001	6,703
Allowance for inventories obsolescence, net	12	892	582
Impairment loss on property, plant and equipment	10	197	294
Allowance for doubtful debts	13	10	31
Interest expense		308	379
Interest income		(348)	(149)
Share options expense		10	6
Operating profit before working capital changes		21,222	12,243
Decrease/(increase) in inventories		562	(1,823)
Increase in trade receivables		(3,618)	(18,977)
Increase in other receivables, deposits and prepayments		(11)	(480)
Decrease in amount due from intermediate holding company		1,870	–
Increase in amount due from related companies		–	(115)
(Decrease)/increase in trade payables		(3,121)	8,908
Increase in other payables and accruals		4,460	4,217
Cash generated from operations		21,364	3,973
Interest paid		(308)	(379)
Taxes paid		(2,395)	(2,688)
Net cash generated from operating activities		18,661	906
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		15,318	228
Purchase of property, plant and equipment	10	(3,103)	(3,137)
Interest received		348	149
Decrease in amount due from intermediate holding company		(688)	(2,140)
Increase in amount due from immediate holding company		–	(350)
Increase in amount due from related companies		(10,554)	(3,501)
Net cash generated from/(used in) investing activities		1,321	(8,751)
Cash flows from financing activities			
Dividend paid to non-controlling interest		–	(47)
Proceeds from short-term bank loan		9,999	3,501
Repayment of short-term bank loans		–	(1,397)
Decrease in amount due to intermediate holding company		(5,155)	(225)
Net cash generated from financing activities		4,844	1,832
Net increase/(decrease) in cash and cash equivalents		24,826	(6,013)
Effect of exchange rate changes on cash and cash equivalents		(167)	92
Cash and cash equivalents at beginning of year		31,974	37,895
Cash and cash equivalents at end of year (Note 16)		56,633	31,974

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

(Amounts expressed in United States Dollars unless otherwise stated)

1. Corporate information

The Company is a private limited company incorporated and domiciled in Singapore. The registered office of the Company is located at 50 Raffles Place, Singapore Land Tower, #32-01, Singapore 048623 and its principal place of business is at Speedy-Tech Industrial Building, 20 Kian Teck Lane, Singapore 627854.

Its immediate holding company is IMI International (Singapore) Pte Ltd, a company incorporated and domiciled in Singapore. Its intermediate holding company and ultimate holding company is Integrated Micro-Electronics, Inc. ("IMI") and Ayala Corporation ("AC"), corporation incorporated in the Republic of the Philippines and listed in the Philippine Stock Exchange.

The Group is principally engaged in the provision of Electronic Manufacturing Services and Power Electronics solutions to Original Equipment Manufacturer ("OEM") customers in the consumer electronics, computer peripherals/IT, industrial equipment, telecommunications and medical devices sectors. The principal activities of the subsidiaries are stated below.

The subsidiaries at 31 December 2014 are:

Name	Principal activities	Country of incorporation	Effective equity interest held by the Group 2014 %	2013 %
Held by the Company				
Speedy Tech Electronics (HK) Limited ("STHK") #	Procurement, marketing and supply chain services	Hong Kong	100	100
Speedy-Tech (Philippines) Inc. ("STPHIL") #	Provision of electronic manufacturing services and manufacture of Power Electronics, marketing and procurement	The Philippines	99.99	99.99
Shenzhen Speedy-Tech Electronics Co., Ltd. ("SZSTE") #	Provision of electronic manufacturing services and manufacture of Power Electronics, marketing, procurement and research and development	People's Republic of China	99.48	99.48
Speedy-Tech Electronics Inc.*	Marketing, liaison and support services (dormant)	United States of America	100	100

1. Corporate information (cont'd)

Name	Principal activities	Country of incorporation	Effective equity interest held by the Group 2014 %	2013 %
Held by the Company (cont'd)				
Speedy-Tech Electronics (Jiaxing) Co. Ltd. ("STJX") #	Provision of electronic manufacturing services and manufacture of Power Electronics, marketing and procurement	People's Republic of China	100	100
Speedy-Tech Electronics (Chong Qing) Co. Ltd. ("STCQ")##**	Provision of electronic manufacturing services and manufacture of Power Electronics, marketing and procurement	People's Republic of China	100	100
IMI (Cheng Du) Ltd. ("IMICD") #	Provision of electronic manufacturing services and manufacture of Power Electronics, marketing and procurement	People's Republic of China	100	100

Audited by member firms of Ernst & Young Global.

Audited by JiaXing HengXin Certified Public Accountants Co., Ltd, Certified Public Accountants in the PRC.

* The subsidiary was set up in 1999 with no paid up capital. No audit is required by the law of its country of incorporation.

** STCQ is in the process of a voluntary winding up.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

The consolidated financial statements of the Group and the balance sheet, statement of comprehensive income and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

The financial statements have been prepared on the historical cost basis except for leasehold land and building which are stated at fair value less depreciation charged subsequent to the date of revaluation.

The financial statements are presented in United States Dollars (USD or $) and all values in the tables are rounded to the nearest thousand ($'000) as indicated.

Change in functional currency

With effect from 1 August 2014, as a result of a change in underlying transactions, events and conditions relevant to a subsidiary, the functional currency of the subsidiary was changed from USD to Renminbi.

2.2 *Changes in accounting polices*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards that are effective for annual periods beginning on or after 1 January 2014. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

2.3 *Standards issued but not yet effective*

The Group has not adopted the following relevant standards and interpretations that have been issued but not yet effective:

Description	*Effective for annual periods beginning on or after*
Amendments to FRS 19 *Defined Benefit Plans: Employee Contributions*	1 July 2014
Improvements to FRSs (January 2014)	
(a) Amendments to FRS 102 *Share Based Payment*	1 July 2014
(b) Amendments to FRS 103 *Business Combinations*	1 July 2014
(c) Amendments to FRS 108 *Operating Segments*	1 July 2014
(d) Amendments to FRS 113 *Fair Value Measurement*	1 July 2014
(e) Amendments to FRS 16 *Property, Plant and Equipment* and FRS 38 *Intangible Assets*	1 July 2014
(f) Amendments to FRS 24 *Related Party Disclosures*	1 July 2014
Improvements to FRSs (February 2014)	
(a) Amendments to FRS 103 *Business Combinations*	1 July 2014
(b) Amendments to FRS 113 *Fair Value Measurement*	1 July 2014
FRS 114 *Regulatory Deferral Accounts*	1 January 2016
Amendments to FRS 27 *Equity Method in Separate Financial Statements*	1 January 2016
Amendments to FRS 16 and FRS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Amendments to FRS 111 *Accounting for Acquisition of Interests in Joint Operations*	1 January 2016
Amendments to FRS 110 and FRS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	1 January 2016

(Amounts expressed in United States Dollars unless otherwise stated)

2. Summary of significant accounting policies (cont'd)

2.3 *Standards issued but not yet effective (cont'd)*

Description	*Effective for annual periods beginning on or after*
Improvements to FRSs (November 2014)	
(a) Amendments to FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*	1 January 2016
(b) Amendments to FRS 107 *Financial Instruments: Disclosures*	1 January 2016
(c) Amendment to FRS 19 *Employee Benefits*	1 January 2016
(d) Amendment to FRS 34 *Interim Financial Reporting*	1 January 2016
Amendments to FRS 1 *Disclosure Initiative*	
Amendments to FRS 110, FRS 112 and FRS 28 *Investment Entity: Applying the Consolidation Exception*	1 January 2016
FRS 115 *Revenue from Contracts with Customers*	1 January 2017
FRS 109 *Financial Instruments*	1 January 2018

Except for FRS 115 and FRS 109, the directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 115 and FRS 109 are described below.

<u>FRS 115 Revenue from Contracts with Customers</u>

FRS 115 was issued in November 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under FRS 115 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under FRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

<u>FRS 109 Financial Instruments</u>

FRS 109 Financial Instruments was issued in December 2014 which reflects all phases of the financial instruments project and replaces FRS 39 Financial Instruments: Recognition and Measurement. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. FRS 109 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory in the year of adoption. The adoption of FRS 109 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

2. Summary of significant accounting policies (cont'd)

2.4 *Foreign currency*

The Group's consolidated financial statements are presented in United States Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) ***Transactions and balances***

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

(b) ***Consolidated financial statements***

For consolidation purpose, the assets and liabilities of foreign operations are translated into USD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2. Summary of significant accounting policies (cont'd)

2.5 *Basis of consolidation and business combinations*

(a) *Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

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

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when controls is lost;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Reclassifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(b) *Business combinations*

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.5 *Basis of consolidation and business combinations (cont'd)*

(b) *Business combinations (cont'd)*

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

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

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

2.6 *Transactions with non-controlling interests*

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2.7 *Subsidiaries*

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. The Group generally has such power when it directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

(Amounts expressed in United States Dollars unless otherwise stated)

2. Summary of significant accounting policies (cont'd)

2.8 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost.

Subsequent to recognition, all items of property, plant and equipment except leasehold land and building are measured at cost less accumulated depreciation and accumulated impairment losses. Leasehold land and buildings are measured at fair value less accumulated depreciation and impairment losses recognised after the date of the revaluation.

Prior to 1 January 1997, there was no fixed policy with respect to the frequency of valuation of property, plant and equipment stated at valuation. Property, plant and equipment were revalued as and when deemed appropriate by the directors. Subsequent to 1 January 1997, property, plant and equipment stated at valuation are revalued every three to five years based on directors' revaluation to ensure that their carrying amount does not differ materially from their fair value at the balance sheet date.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Depreciation of an asset begins when it is available for use and is computed on a straight-line basis with a residual value of 0% to 10% over the estimated useful life of the asset as follows:

Leasehold land and building	30 years (over the tenure period)
Land use rights	30 years (over the tenure period of the land)
Plant and machinery	3 - 10 years
Motor vehicles	5 years
Office equipment	3 - 10 years
Electronics equipment and computer software	3 - 5 years
Furniture and fittings	3 - 5 years
Tools and equipment	5 years
Leasehold building and improvements	5 - 30 years (over the term of lease)
EMC testing facility	3 - 10 years
Renovation	3 - 5 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

2. Summary of significant accounting policies (cont'd)

2.9 *Impairment of non-financial assets*

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset 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. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2. Summary of significant accounting policies (cont'd)

2.10 *Financial instruments*

(a) ***Financial assets***

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

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

(i) ***Loans and receivables***

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(ii) ***Available-for-sale financial assets***

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

2. Summary of significant accounting policies (cont'd)

2.10 ***Financial instruments (cont'd)***

(a) ***Financial assets (cont'd)***

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

(b) ***Financial liabilities***

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

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

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

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

2.11 ***Cash and cash equivalents***

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

Cash and short-term deposits carried on the balance sheets are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.10.

2. Summary of significant accounting policies (cont'd)

2.12 *Impairment of financial assets*

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired.

(a) ***Financial assets carried at amortised cost***

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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 recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) ***Financial assets carried at cost***

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

2. Summary of significant accounting policies (cont'd)

2.13 *Inventories*

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and conditions are accounted for as follows:

- Raw materials – purchase costs on a weighted average basis;
- Finished goods and work-in-progress – costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned as a first-in first-out basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.14 *Interest bearing loans and borrowings*

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

2.15 *Borrowings costs*

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2. Summary of significant accounting policies (cont'd)

2.16 *Provisions*

Provisions are recognised when the Group 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 the amount of the obligation can be estimated reliably.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.17 *Employee benefits*

Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations.

<u>Singapore</u>

The Singapore companies in the Group make contributions to the Central Provident Fund (CPF) scheme in Singapore, a defined contribution scheme under FRS19 – Employee benefits. Contributions to CPF scheme are recognised as an expense in the period in which the related service is performed.

<u>PRC</u>

The subsidiaries incorporated and operating in the People's Republic of China ("PRC") are required to provide certain staff pension benefits to their employees under existing PRC regulations, a defined contribution scheme under FRS19 – Employee benefits. Pension contributions are provided at rates stipulated by PRC regulations and are contributed to a pension fund managed by government agencies, which are responsible for administering these amounts for the subsidiaries' employees. Contributions to this defined contribution scheme are recognised as an expense in the period in which the related service is performed.

<u>Hong Kong</u>

The subsidiary in Hong Kong participates in the defined Provident Fund, a defined contribution scheme under FRS19 – Employee benefits. The subsidiary and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Contributions to this defined contribution scheme are recognised as an expense in the period in which the related service is performed.

2. Summary of significant accounting policies (cont'd)

2.17 *Employee benefits (cont'd)*

The Philippines

Contributions to national pension schemes, a defined contribution scheme under FRS19 – Employee benefits, are recognised as an expense in the period in which the related service is performed.

Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

Equity-settled transactions

The cost of equity-settled transactions with employees was measured by reference to the fair value at the date on which the share options are granted. In valuing the share options, no account was taken of any performance conditions, other than conditions linked to the price of the shares of the company ('market conditions'), if applicable.

The cost of equity-settled transactions was recognised, together with a corresponding increase in the employee share option reserve, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date').

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

Since the scheme was cancelled after the vesting period, share option reserves representing the cumulative share option expense recognised was retained as part of equity.

2.18 *Non-current assets held for sale and discontinued operations*

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

A component of the Group is classified as a "discontinued operation" when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

2. Summary of significant accounting policies (cont'd)

2.19 *Revenue*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The following specific recognition criteria must also be met before revenue is recognised:

(a) ***Sale of goods***

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) ***Interest income***

Interest income is recognised using the effective interest method.

(c) ***Rental income***

Rental income is recognised on a straight-line basis. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis.

(d) ***Dividend income***

Dividend income is recognised when the Group's right to receive payment is established.

2.20 *Taxes*

(a) ***Current income tax***

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2. Summary of significant accounting policies (cont'd)

2.20 *Taxes (cont'd)*

(b) *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

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

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

2. Summary of significant accounting policies (cont'd)

2.20 *Taxes (cont'd)*

(b) ***Deferred tax (cont'd)***

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

(c) ***Sales tax***

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

2.21 *Derivative financial instruments*

The Group uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gain or losses arising from changes in fair value on derivative financial instruments that do not qualify for hedge accounting are taken to profit or loss for the year.

2.22 *Leases*

(a) ***As lessee***

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

2. Summary of significant accounting policies (cont'd)

2.22 *Leases (cont'd)*

(a) ***As lessee (cont'd)***

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) ***As lessor***

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.21(c). Contingent rents are recognised as revenue in the period in which they are earned.

2.23 *Share capital and share issuance expenses*

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.24 *Contingencies*

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

2. Summary of significant accounting policies (cont'd)

2.25 ***Related parties***

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

(i) Has control or joint control over the Company;

(ii) Has significant influence over the Company; or

(iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies :

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2. Summary of significant accounting policies (cont'd)

2.26 *Significant accounting estimates and judgements*

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

(a) ***Key sources of estimation uncertainty***

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below.

(i) ***Impairment of investment in subsidiaries***

The Company assesses at each reporting date whether there is an indication that the investment in subsidiaries may be impaired. This requires an estimation of the value in use of the cash generating units. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Company's investment in subsidiaries at 31 December 2014 was $65,126,000 (2013: $65,876,000).

(ii) ***Determination of useful lives of plant and equipment and residual value***

The cost of plant and equipment is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these property, plant and equipment as discussed in Note 2.8. These are common life expectancies applied in the electronics and telecommunication manufacturing industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of the Group's property and equipment at the end of each reporting period is disclosed in Note 10.

2. Summary of significant accounting policies (cont'd)

2.26 *Significant accounting estimates and judgements (cont'd)*

(a) ***Key sources of estimation uncertainty (cont'd)***

(iii) ***Income taxes***

The Group has exposure to taxes in numerous jurisdictions. Significant judgement is involved in determining the Group-wide provision for taxes including value-added tax, consumption tax and customs duty. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes are due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the profit and loss in the period in which such determination is made. The carrying amounts of the Group's tax payables and deferred tax liabilities as at 31 December 2014 were $2,750,000 (2013: $790,000) and $34,000 (2013: $34,000) respectively.

(b) ***Critical judgements made in applying accounting policies***

In the process of applying the Group's accounting policies, management has made the following critical accounting judgements that will have a significant effect on the amounts recognised in the consolidated financial statements:

(i) ***Impairment of property, plant and equipment***

The carrying values of property, plant and equipment are reviewed for impairment when there are indicators of impairment. For the year ended 31 December 2014, the impairment of property, plant and equipment of the Group was $197,000 (2013: $294,000).

(ii) ***Determination of functional currency***

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

3. Revenue

Revenue represents the invoiced value of goods sold, net of returns and discounts.

4. Other operating income

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Sundry income*	1,461	627	384	6
Dividend income from subsidiaries	–	–	2,000	26,490
Rental income	1,263	1,078	1,263	1,078
Interest income from loans and receivables	348	149	197	1
Gain on disposal of property, plant and equipment #	14,549	–	14,348	–
	17,621	1,854	18,192	27,575

* This relates to engineering service fees and testing fees.

\# This mainly relates to gain on disposal of the Company's building in December 2014. Details are disclosed in Note 10.

5. Profit before taxation

Profit before taxation is stated after charging/(crediting) the following:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Depreciation of property, plant and equipment	6,001	6,703	476	435
Exchange loss/(gain), net	35	(1,063)	295	(79)
Employee benefits expense (Note 6)	62,411	55,587	2,676	3,749
Allowance for doubtful debts - Trade receivables (Note 13)	10	31	–	–
Allowance/(write-back) for inventory obsolescence, net (Note 12)	892	582	(170)	79
Research costs	74	71	–	2
Operating lease expenses	2,240	1,681	9	86
Gain on sale of materials	–	(86)	–	–
Loss on disposal of property, plant and equipment	3	176	3	–
Impairment of investment in a subsidiary (Note 11)	–	–	750	253
Impairment loss on property, plant and equipment (Note 10)	197	294	–	–

6. Employee benefits expense

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Wages, salaries and bonuses	54,530	47,417	2,011	2,856
Central Provident Fund/pension contributions	5,752	5,464	262	313
Other personnel benefits	2,119	2,234	393	108
Share options expenses	10	6	10	6
	62,411	55,587	2,676	3,749

Share option expenses relate to the difference between the fair value and the subscription price of the share of the intermediate holding company's ESOWN granted to employees of the Group. Details of the ESOWN are disclosed in the financial statement of the intermediate holding company.

7. Finance costs

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Interest expense				
- bank loans	21	21	21	21
- bank charges	287	358	168	17
	308	379	189	38

8. Income tax expense

Major components of taxation

The major components of taxation for the year ended 31 December 2014 and 2013 are:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Current income tax				
Current year	3,775	1,805	–	–
Under/(over) provision in respect of prior years	580	(190)	–	(160)
	4,355	1,615	–	(160)
Withholding tax	–	568	–	568
Tax expense recognised in profit or loss	4,355	2,183	–	408

8. Income tax expense (cont'd)

Relationship between taxation and accounting profit

A reconciliation between the taxation and the product of accounting profit multiplied by the applicable tax rate for the years ended 31 December 2014 and 2013 are as follows:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Profit before tax	28,698	4,221	16,656	25,895
Tax at the domestic rates applicable to profits in the countries concerned *	6,177	5,564	2,831	4,402
Adjustments:				
Tax effect of expenses not deductible for tax purposes	452	462	213	137
Withhold tax expense not deducted	–	568	–	568
Benefits of previously unrecognised tax losses	(265)	(18)	(265)	(18)
Under/(over) provision of current tax in respect of prior years	580	(190)	–	(160)
Income not subject to tax	(2,837)	(4,546)	(2,779)	(4,503)
Deferred tax asset not recognised (Note 20)	222	356	–	–
Others	26	(13)	–	(18)
Tax expense recognised in profit or loss	4,355	2,183	–	408

* The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

Speedy Tech Electronics (HK) Limited ("STHK")

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profit for the year.

Speedy-Tech (Philippines) Inc. ("STPHIL")

Speedy-Tech (Philippines) Inc. is registered with the Philippine Economic Zone Authority ("PEZA") as an economic zone export enterprise engaged in the manufacture and distribution of electronic products. As a registered enterprise, it is entitled to certain incentives, including the payment of income tax equivalent to 5% on gross income, as defined under Republic Act No. 7916, in lieu of all local and national taxes.

8. Income tax expense (cont'd)

Shenzhen Speedy-Tech Electronics Co., Ltd. ("SZSTE"), Speedy-Tech Electronics (Jiaxing) Co. Ltd. ("STJX"), Speedy-Tech Electronics (Chong Qing) Co. Ltd. ("STCQ") and IMI (Cheng Du) Ltd. ("IMICD")

In accordance with the "Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises", the subsidiaries in the PRC are entitled to full exemption from Enterprise Income Tax ("EIT") for the first two years and a 50% reduction in EIT for the next three years, commencing from the first profitable year after offsetting all tax losses carried forward from the previous five years.

SZSTE is subject to taxation at the statutory tax rate of 25% (2013: 25%) on their taxable income as reported in their respective financial statements, prepared in accordance with the accounting regulations in the PRC.

STJX is entitled to full exemption from Enterprise Income Tax ("EIT") for the first two years and a 50% reduction in EIT for the next three years, commencing from the first profitable year, ie. after all tax losses have been fully offset in accordance with the "Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises". STJX is in its eighth profitable year, and hence is subject to taxation at the rate of 25% (2013: 25%) on the taxable income as reported in the financial statements of STJX prepared in accordance with the accounting regulations in the PRC.

STCQ is entitled to full exemption from Enterprise Income Tax ("EIT") for the first five years, commencing from the first profitable year in year 2008, ie. after all tax losses have been fully offset in accordance with the "Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises".

IMICD is subject to taxation at the statutory tax rate of 25% (2013: 25%) on their taxable income as reported in the financial statement. With effect from year 2008, the China tax authority ceased the incentive of preferential tax treatment for enterprises with foreign investment and foreign enterprises.

9. Dividend

	Group and Company	
	2014	**2013**
	$'000	$'000
Declared and paid during the financial year:		
Dividend on ordinary shares:		
- Interim exempt (one-tier) dividend for 2014: 1.44 cents (2013: 4.00 cents) per share	5,424	15,048

10. Property, plant and equipment

Group	At valuation	At cost										
	Leasehold land and building $'000	Land use rights $'000	Plant and machinery $'000	Motor vehicles $'000	Office equipment $'000	Electronics equipment and computer software $'000	Furniture and fittings $'000	Tools and equipment $'000	Leasehold building and improve-ments $'000	EMC testing facility $'000	Reno-vation $'000	Total $'000
Cost or valuation												
At 1 January 2013	6,492	517	65,962	367	1,427	7,879	731	885	4,740	2,594	9,237	100,831
Additions	–	–	2,115	111	132	96	3	298	–	–	382	3,137
Disposals/written off	–	–	(1,685)	(87)	(103)	(72)	(1)	(69)	–	(10)	(1,697)	(3,724)
At 31 December 2013 and 1 January 2014	6,492	517	66,392	391	1,456	7,903	733	1,114	4,740	2,584	7,922	100,244
Additions	–	–	2,241	54	138	377	180	614	489	–	171	4,264
Disposals	–	–	(5,891)	(22)	(158)	(91)	(122)	(572)	(4,434)	(5)	(44)	(11,339)
Currency realignment	–	–	15	–	1	–	–	3	–	–	4	23
At 31 December 2014	6,492	517	62,757	423	1,437	8,189	791	1,159	795	2,771	8,054	93,192
Accumulated depreciation and impairment loss												
At 1 January 2013	5,273	510	44,909	271	1,262	7,109	348	712	1,801	1,890	8,058	72,143
Charge for the year	251	7	5,167	23	99	97	3	134	156	241	525	6,703
Disposals/written off	–	–	(1,456)	(47)	(101)	(64)	(1)	(68)	–	(10)	(1,573)	(3,320)
Impairment loss	–	–	294	–	–	–	–	–	–	–	–	294
At 31 December 2013 and 1 January 2014	5,524	517	48,914	247	1,260	7,142	350	778	1,957	2,121	7,010	75,820
Charge for the year	179	–	4,444	30	86	131	14	396	409	161	151	6,001
Disposals	–	–	(5,450)	(22)	(154)	(81)	(30)	(553)	(1,873)	(5)	(43)	(8,211)
Impairment loss	–	–	197	–	–	–	–	–	–	–	–	197
Currency realignment	–	–	2	–	–	–	–	1	–	–	3	6
At 31 December 2014	5,703	517	48,107	255	1,192	7,192	334	622	493	2,277	7,121	73,813
Net carrying amount												
At 31 December 2013	968	–	17,478	144	196	761	383	336	2,783	463	912	24,424
At 31 December 2014	789	–	14,650	168	245	997	457	537	302	302	932	19,379

10. Property, plant and equipment (cont'd)

Company	Plant and machinery $'000	Furniture and fittings $'000	Office equipment $'000	Computer software $'000	Leasehold building and improvements $'000	EMC testing facility $'000	Motor vehicle $'000	Total $'000
Cost								
At 1 January 2013	1,059	93	359	469	4,471	2,595	58	9,104
Additions	–	–	7	–	–	–	–	7
Disposals	(25)	–	–	–	–	(10)	–	(35)
At 31 December 2013 and 1 January 2014	1,034	93	366	469	4,471	2,585	58	9,076
Additions	34	–	5	162	–	–	–	201
Disposals	(205)	–	–	–	(4,471)	(5)	–	(4,681)
At 31 December 2014	863	93	371	631	–	2,580	58	4,596
Accumulated depreciation								
At 1 January 2013	920	93	357	469	1,624	1,891	58	5,412
Charge for the year	45	–	2	–	147	241	–	435
Disposals	(25)	–	–	–	–	(10)	–	(35)
At 31 December 2013 and 1 January 2014	940	93	359	469	1,771	2,122	58	5,812
Charge for the year	119	–	4	45	147	161	–	476
Disposals	(196)	–	–	–	(1,918)	(4)	–	(2,118)
At 31 December 2014	863	93	363	514	–	2,279	58	4,170
Net carrying amount								
At 31 December 2013	94	–	7	–	2,700	463	–	3,264
At 31 December 2014	–	–	8	117	–	301	–	426

10. Property, plant and equipment (cont'd)

A subsidiary's leasehold land and factory building at Area 7, Liantang Industrial Zone, Luo Hu, Shenzhen, People's Republic of China, stated at valuation, was valued by Richard Ellis, a firm of independent professional valuers as at 31 December 1993. The valuation was based on the open market value on a willing buyer and willing seller basis for existing use. The surplus on revaluation of $1,810,000 has been taken to asset revaluation reserve.

Had the leasehold land and building of the subsidiary been stated at cost less accumulated depreciation and any impairment loss, the net book value of the leasehold land and building as at 31 December 2014 would have been approximately $400,000 (2013: $451,000) instead of $814,000 (2013: $968,000).

	Group	
	2014	**2013**
	$'000	$'000
Current year additions	4,264	3,137
Less : Payable to creditors	(1,161)	–
Net cash outflow for purchase of property, plant and equipment	3,103	–

The Company has entered into a sale and leaseback agreement with an unrelated party on 27 August 2014, in respect of the leasehold building located at 20 Kian Teck Lane, Singapore, with a carrying value of $2,616,000. The purchase consideration of the leasehold building is $17,187,000. The purchase consideration is based on the valuation performed as at 30 January 2013 by an independent valuer with consideration of current market conditions with the prevailing transacted prices in the vicinity of the leasehold building held for sale. The sale of this leasehold building was completed on 23 December 2014.

11. Investment in subsidiaries

	Company	
	2014	**2013**
	$'000	$'000
Unquoted equity shares at cost	66,418	66,418
Less : provision for diminution in value	(1,292)	(542)
Carrying amount of investment	65,126	65,876

Details of the subsidiaries at the end of the financial year are set out in Note 1.

Movement in provision for diminution in value:

At 1 January	542	289
Charge for the year	750	253
At 31 December	1,292	542

12. Inventories

	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
Finished goods	5,373	5,086	–	85
Work-in-progress	4,353	4,271	2	141
Raw materials	19,241	20,680	6	297
Goods-in-transit	982	1,388	–	73
Tools	197	175	–	–
Total inventories at lower of cost and net realisable value	30,146	31,600	8	596

Movement in allowance for inventories obsolescence:

	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
At 1 January	1,218	636	170	91
Charge for the year	1,062	751	–	79
Written back	(170)	(169)	(170)	–
At 31 December	2,110	1,218	–	170

13. Trade receivables

	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
Trade receivables	101,027	97,409	22,166	20,851
Less : Allowance for doubtful trade debts	(52)	(42)	(11)	(11)
Trade receivables, net	100,975	97,367	22,155	20,840
Add:				
Other receivables (Note 14)	1,574	1,775	535	138
Deposits (Note 14)	645	92	605	36
Due from intermediate holding company	6,881	7,888	6,145	6,625
Due from immediate holding company	–	5,424	–	5,424
Due from subsidiaries	–	–	5,082	42,693
Due from related companies	14,170	3,616	13,562	3,500
Cash and short-term deposits (Note 16)	56,633	31,974	21,904	12,521
Total loans and receivables	180,878	148,136	69,988	91,777

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

13. Trade receivables (cont'd)

Included in trade receivables are the following amounts denominated in foreign currencies at 31 December:

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Renminbi	56,983	64,748	–	–

Receivables that are past due but not impaired

The Group and Company have trade receivables amounting to $10,035,000 (2013: $12,435,000) and $5,825,000 (2013: $3,629,000) respectively, that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

Trade receivables past due:				
Less than 30 days	8,661	9,789	5,420	3,460
30-60 days	669	1,563	331	97
61-90 days	605	538	–	29
More than 90 days	100	545	74	43
	10,035	12,435	5,825	3,629

Receivables that are impaired

The Group's and Company's trade receivables that are impaired at the balance sheet date and the movement of the allowance accounts used to record the impairment are as follows:

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Trade receivables – nominal amounts	52	42	11	11
Less: Allowance for doubtful trade debts	(52)	(42)	(11)	(11)
	–	–	–	–
Movements in allowance account:				
At 1 January	42	11	11	11
Charge for the year	10	31	–	–
At 31 December	52	42	11	11

Trade receivables that are determined to be impaired at the balance sheet date relate to debtors that are in significant financial difficulties and defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

14. Other receivables, deposits and prepayments

	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
Other receivables	1,574	1,777	535	140
Less : Allowance for doubtful debts	–	(2)	–	(2)
	1,574	1,775	535	138
Deposits	645	92	605	36
Prepayments	347	220	214	62
Sales tax recoverable	822	1,290	(20)	(5)
	3,388	3,377	1,334	231

Included in other receivables are the following amounts denominated in foreign currencies at 31 December:

	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
Singapore Dollar	143	101	143	101
Renminbi	863	1,599	–	–
Hong Kong Dollar	39	–	–	–
Euro	46	–	–	–

Receivables that are past due but not impaired

The Group and the Company have other receivables amounting to $278,000 (2013: $220,000) and $Nil (2013: $58,000) respectively that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
Other receivables past due:				
Less than 30 days	19	59	–	52
30-60 days	233	4	–	1
61-90 days	–	12	–	1
More than 90 days	71	145	–	4
	278	220	–	58

14. Other receivables, deposits and prepayments (cont'd)

Receivables that are impaired

The Group's and the Company's other receivables that are impaired at the balance sheet date and the movement of the allowance accounts used to record the impairment are as follows:

	Group and Company	
	2014	**2013**
	$'000	$'000
Other receivables – nominal amounts	–	2
Less: Allowance for doubtful debts	–	(2)
	–	–
Movements in allowance account:		
At 1 January	2	2
Charge for the year	–	–
Written-off	(2)	
At 31 December	–	2

Other receivables that are determined to be impaired at the balance sheet date relate to debtors that are in significant financial difficulties and defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

15. Due from/(to) related companies, subsidiaries, immediate and intermediate holding company

Amount due from/(to) the intermediate holding company are mainly non-trade in nature, unsecured, interest-free, repayable on demand and are to be settled in cash.

Amount due from the immediate holding company are non-trade in nature, unsecured, interest-free, repayable on demand and are to be settled in cash.

Amount due from/(to) subsidiaries are trade in nature, unsecured, interest-free, repayable on demand and are to be settled in cash.

Amount due from related companies are non-trade in nature, unsecured, bears interest at rates ranging from 2.23% to 3.05% (2013: 2.85% to 2.87%), repayable on demand and are to be settled in cash.

16. Cash and cash equivalents

Cash and cash equivalents comprise:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Fixed deposits [1]	15,877	2,785	15,877	–
Cash and bank balances [2]	40,756	29,189	6,027	12,521
Cash and short-term deposits	56,633	31,974	21,904	12,521

(1) Fixed deposits are mainly short term deposits made for varying periods of approximately one week to two months depending on the immediate cash requirements of the Group and bears interest at 0.60% (2013: 1.55% to 2.85%) per annum during the year.

(2) Cash at banks earns interest at floating rates based on daily bank deposit rates.

Cash and short-term deposits denominated in foreign currencies at 31 December are as follows :

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Singapore Dollar	17,105	863	17,058	860
Euro	862	942	860	942
Renminbi	23,173	8,749	–	–
Hong Kong dollar	40	–	–	–

17. Trade payables

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Trade payables	60,579	63,700	3,741	5,149
Add:				
Other payables (Note 18)	5,296	4,436	649	1,481
Accrued operating expenses (Note 18)	12,190	9,571	1,106	972
Deposits received (Note 18)	210	390	210	390
Due to intermediate holding company	18,503	23,658	18,243	23,332
Due to subsidiaries	–	–	23,509	63,199
Short term bank loan (unsecured)	13,500	3,501	13,500	3,501
Total financial liabilities carried at amortised cost	110,278	105,256	60,958	98,024

Trade payables are non-interest bearing and are generally on 30 to 60 days' terms.

17. Trade payables (cont'd)

Included in trade payables are the following amounts denominated in foreign currencies at 31 December:

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Euro	440	688	1	–
Singapore Dollar	7	32	7	32
Hong Kong Dollar	370	267	–	8
Renminbi	33,560	37,822	–	–
Australian Dollar	68	104	–	–
Japanese Yen	7	–	–	–

18. Other payables and accruals

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Other payables	5,296	4,436	649	1,481
Accrued operating expenses	12,190	9,571	1,106	972
Deposits received	210	390	210	390
	17,696	14,397	1,965	2,843

Other payables are non-interest bearing and are normally settled on 30 to 90 days' terms.

Included in other payables are the following amounts denominated in foreign currencies at 31 December :

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Singapore Dollar	258	106	258	106
Hong Kong Dollar	51	–	–	–
Renminbi	4,587	2,909	–	–
Japanese Yen	–	1,374	–	1,374

19. Short term bank loan (unsecured)

The unsecured Singapore Dollar denominated short term bank loan of the Group and Company is revolving in nature and bears interest at rates ranging from 1.73% to 2.55% (2013: 2.30% to 2.39%) per annum.

20. Deferred taxation

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Deferred tax assets				
Unutilised tax losses	–	(84)	–	(84)
Provisions	(144)	(28)	–	(28)
Others	(22)	(166)	–	–
	(166)	(278)	–	(112)
Deferred tax liabilities				
Excess of net book value over tax written down value of property, plant and equipment	1	113	1	113
Revaluation reserve	158	158	–	–
Others	41	41	–	–
	200	312	1	113
Net deferred tax liabilities	34	34	1	1

Deferred tax asset not recognised

At the balance sheet date, the Group has allowance for inventory obsolescence and unused tax losses of approximately $2,110,000 (2013: $1,218,000) and $370,000 (2013: $1,929,000) that are available for offset against future taxable profits of the companies in which the provision of inventory arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability.

Unrecognised temporary differences relating to investments in subsidiaries

At the balance sheet date, no deferred tax liability (2013: $Nil) has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries as the Group has determined that undistributed earnings of its subsidiaries will not be distributed in the foreseeable future.

21. Share capital

	Group and Company			
	No. of shares 2014	**2014**	**No. of shares 2013**	**2013**
	'000	$'000	'000	$'000
Issued and fully paid				
At 1 January and 31 December	376,200	26,872	376,200	26,872

The holder of ordinary shares is entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

22. Reserves

(a) ***Revaluation and capital reserves***

(i) Revaluation reserve represents increase in the fair value of freehold land and buildings, net of tax, and decrease to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

(ii) Capital reserve represents premium paid or discount on acquisition of non-controlling interest.

These reserves are not available for distribution.

(b) ***Restricted reserves***

Pursuant to the relevant laws in the People's Republic of China ("PRC"), the PRC subsidiaries of the Group have each set up a general reserve fund and an enterprise expansion fund by way of appropriation from their PRC statutory net profits at a rate to be determined by the board of directors of the subsidiaries. The respective board of directors of the subsidiaries use a guideline, that 10% of the PRC statutory profit after tax be appropriated each year to the general reserve fund and enterprise expansion reserve fund respectively. The funds may be utilised to off-set accumulated losses or increase the capital of the PRC subsidiaries, subject to approval from the PRC authorities. The funds are not available for dividend distribution to the shareholders.

(c) ***Share option reserve***

Share option reserve are made up of the cumulative value of services received from employees recorded over the vesting period commencing from grant date, in relation to the Speedy-Tech Employee Stock Option Scheme 2003 which has since lapsed.

(d) ***Capital contribution reserves***

Capital contribution reserves are made up of the difference between the fair value and the subscription price of the share of the Integrated Microelectronics, Inc. ESOWN granted to employees of the Group.

(e) ***Foreign currency translation reserve***

Foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currency is different from that of the Group's presentation currency.

(f) ***Revenue reserves***

Revenue reserves of the Company that are available for distribution as dividend.

23. Related party information

An equity or individual is considered a related party of the group for the purposes of the financial statements if : i) possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financial decisions of the group or vice versa; or ii) it is subject to common control or common significant influence.

The Group did not have any significant transactions with related parties, who are not members of the Group, on terms agreed between the parties.

Compensation of key management personnel

	Group	
	2014	**2013**
	$'000	$'000
Short-term employee benefits	1,135	849
Pension and post-employment medical benefits	60	41
Total compensation entitled to key management personnel	1,195	890
Comprise amounts entitled to :		
Directors of the Company	582	466
Other key management personnel	613	424
	1,195	890

24. Commitments

(a) ***Operating lease commitments – as lessee***

The Group and Company has various operating lease agreements in respect of office premises and land. These non-cancellable leases have remaining non-cancellable lease terms of between 1 and 10 years (2013: between 1 and 38 years). Most leases contain renewable options. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum lease payments under non-cancellable operating leases are as follows as at 31 December:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Within 1 year	3,379	1,482	1,384	68
Within 2 to 5 years	8,097	1,235	5,867	248
After 5 years	8,206	2,257	8,197	1,895
	19,682	4,974	15,448	2,211

24. Commitments (cont'd)

(b) ***Operating lease commitments – as lessor***

The Group and Company has entered into leases on their leasehold building. These non-cancellable leases have remaining lease terms of between 1 and 5 years.

Future minimum rental receivable under non-cancellable operating leases are as follows as at 31 December.

The Group and Company has disposed the leasehold building at 23 December 2014.

	Group and Company	
	2014	**2013**
	$'000	$'000
Within 1 year	–	1,234
Within 2 to 5 years	–	1,617
	–	2,851

25. Financial risk management objectives and policies

The Group principal financial instruments, other than derivative financial instruments, comprise bank loans, cash and short term deposits. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions, including forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of financing.

It is, and has been throughout the year under review, the Group's policy that no trading in derivative financial instruments shall be undertaken.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to changes in interest rates relates primarily to the Group's debt obligations. The Group obtains additional financing through bank borrowings. The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.

Surplus funds are placed with reputable banks.

Sensitivity analysis for interest rate risk

As at 31 December 2014, it is estimated that a general increase/decrease of 75 (2013: 75) basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit before tax by approximately $101,250 (2013: decrease/increase the Group's profit before tax by approximately $26,250).

25. Financial risk management objectives and policies (cont'd)

Interest rate risk (cont'd)

Sensitivity analysis for interest rate risk (cont'd)

The sensitivity analysis above has been determined assuming that the change in interest rates has occurred at the balance sheet date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 75 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2013.

Foreign currency risk

The Group is exposed to foreign currency risk from revenues generated and cost incurred in foreign currencies, principally in Chinese RMB ("RMB"), Hong Kong Dollars ("HKD") and Singapore Dollars ("SGD"). The Group does not enter into forward foreign exchange contracts to hedge against its foreign exchange risk resulting from sale and purchase transactions denominated in foreign currencies.

The Group manages its foreign exchange exposure risk by matching, as far as possible, receipts and payments in each individual currency. Foreign currency is converted into the relevant domestic currency as and when the management deems necessary. The unhedged exposure is reviewed and monitored closely on an ongoing basis and management will consider to hedge any material exposure where appropriate.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in RMB, HKD and SGD exchange rates (against USD), with all other variables held constant, of the Group's profit before tax.

			Group	
			2014 $'000 Profit before tax Increase/(decrease)	**2013** $'000 Profit before tax Increase/(decrease)
RMB	–	strengthened 4% (2013: 4%)	(1,771)	(1,322)
	–	weakened 4% (2013: 4%)	1,918	1,432
HKD	–	strengthened 4% (2013: 4%)	(32)	10
	–	weakened 4% (2013: 4%)	35	(11)
SGD	–	strengthened 4% (2013: 4%)	(659)	(32)
	–	weakened 4% (2013: 4%)	714	34

25. Financial risk management objectives and policies (cont'd)

Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the directors to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the balance sheet date based on the contractual undiscounted payments.

	2014		2013	
	1 year or less $'000	Total $'000	1 year or less $'000	Total $'000
Group				
Financial assets:				
Trade receivables	100,975	100,975	97,367	97,367
Other receivables and deposits	2,219	2,219	1,867	1,867
Due from intermediate holding company	6,881	6,881	7,888	7,888
Due from immediate holding company	–	–	5,424	5,424
Due from related companies	14,205	14,205	3,629	3,629
Cash and short-term deposits	56,633	56,633	31,974	31,974
Total undiscounted financial assets	180,913	180,913	148,149	148,149
Financial liabilities:				
Trade payables	60,579	60,579	63,700	63,700
Other payables and accruals	17,696	17,696	14,397	14,397
Due to intermediate holding company	18,503	18,503	23,658	23,658
Short term bank loan	13,562	13,562	3,512	3,512
Total undiscounted financial liabilities	110,340	110,340	105,267	105,267
Total net undiscounted financial assets	70,573	70,573	42,882	42,882

25. Financial risk management objectives and policies (cont'd)

Liquidity risk (cont'd)

	2014		2013	
	1 year or less $'000	Total $'000	1 year or less $'000	Total $'000
Company				
Financial assets:				
Trade receivables	22,155	22,155	20,840	20,840
Other receivables and deposits	1,140	1,140	174	174
Due from intermediate holding company	6,145	6,145	6,625	6,625
Due from immediate holding company	–	–	5,424	5,424
Due from subsidiaries	5,082	5,082	42,693	42,693
Due from related companies	13,597	13,597	3,513	3,513
Cash and bank balances	21,904	21,904	12,521	12,521
Total undiscounted financial assets	70,023	70,023	91,790	91,790
Financial liabilities:				
Trade payables	3,741	3,741	5,149	5,149
Other payables and accruals	1,965	1,965	2,843	2,843
Due to intermediate holding company	18,243	18,243	23,332	23,332
Due to subsidiaries	23,509	23,509	63,199	63,199
Short term bank loan	13,562	13,562	3,512	3,512
Total undiscounted financial liabilities	61,020	61,020	98,035	98,035
Total net undiscounted financial assets /(liabilities)	9,003	9,003	(6,2450)	(6,245)

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

Credit risk, or the risk of counterparties defaulting, is managed through the application of credit approvals, credit limits and monitoring procedures. Where appropriate, the Company and its subsidiaries obtain collateral from the customer or arrange master netting agreements. Cash terms, advance payments, and letters of credit are required for customers of lower credit standing.

25. Financial risk management objectives and policies (cont'd)

Credit risk (cont'd)

Exposure to credit risk

At the balance sheet date, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheets.

Credit risk concentration profile

At balance sheet date, approximately:

42% (2013: 32%) of the Group's trade receivables were due from 3 major customers of the Group.

17% (2013: 14%) of the Group's trade and other receivables were due from related parties.

Financial assets that are neither past due nor impaired

Trade receivables and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 13 (Trade receivables) and Note 14 (Other receivables, deposits and prepayments).

26. Fair value of financial instruments

(a) Fair value hierarchy

The Group categories fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other that quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(b) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

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

Bank balances, other liquid funds and short-term receivables

The carrying amounts approximate fair values due to the relatively short-term maturity of these instruments.

Short term borrowings and other current liabilities

The carrying amounts approximate fair values because of the short period to maturity of these instruments.

Disclosure of the nature of financial instruments and their significant terms and conditions that could affect the amount, timing and certainty of future cash flow is presented in the respective notes to the financial statements, where applicable.

The Group and Company does not have any financial instruments that are carried at fair value or any financial instruments that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value.

27. Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholder, return capital to shareholder or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2014 and 31 December 2013.

As disclosed in Note 22(b), the subsidiaries of the Group are required by the relevant laws of the PRC to contribute to and maintain restricted reserves whose utilisation is subject to approval by the relevant PRC authorities.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes all liabilities (excluding tax payables) less cash and cash equivalents as the net debt. Capital includes equity attributable to the equity holder of the Company less the abovementioned restricted reserves.

	Group	
	2014	**2013**
	$'000	$'000
Trade payables (Note 17)	60,579	63,700
Other payables and accruals (Note 18)	17,696	14,397
Due to intermediate holding company	18,503	23,658
Short term bank loan	13,500	3,501
Less:		
Cash and short-term deposits (Note 16)	(56,633)	(31,974)
Net debt	53,645	73,282
Equity attributable to equity holder of the Company	118,297	99,396
Less: Restricted reserves	(11,075)	(10,206)
Total capital	107,222	89,190
Capital and net debt	160,867	162,472
Gearing ratio	33%	45%

28. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on 8 April 2015.

EXHIBIT 5

2014 Audited Annual Financial Statements, Cooperatief IMI Europe U.A. and Subsidiaries

Cooperatief IMI Europe U.A. and Subsidiaries

Consolidated Financial Statements
December 31, 2014 and 2013

and

Independent Auditors' Report

SGV

Building a better working world

A member firm of Ernst & Young Global Limited

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BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Members and the Board of Directors
Cooperatief IMI Europe U.A. and Subsidiaries

We have audited the accompanying consolidated financial statements of Cooperatief IMI Europe U.A. and Subsidiaries, which comprise the consolidated balance sheets as at December 31, 2014 and 2013, and the consolidated statements of income, statements of comprehensive income, statements of changes in members' 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 Consolidated Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Cooperatief IMI Europe U.A. and Subsidiaries as at December 31, 2014 and 2013, and their financial performance and their cash flows for the years then ended, in accordance with Philippine Financial Reporting Standards.

Basis of Accounting and Restriction of Use

Without modifying our opinion, we draw attention to Note 2 to the consolidated financial statements, which describes the basis of preparation. The consolidated financial statements are prepared to assist Integrated Micro-Electronics, Inc. to meet the requirements of the Philippine Securities and Exchange Commission. As a result, the consolidated financial statements may not be suitable for another purpose. Our auditors' report is intended solely for Integrated Micro-Electronics, Inc. and the Philippine Securities and Exchange Commission and should not be used by parties other than Integrated Micro-Electronics, Inc. and the Philippine Securities and Exchange Commission.

SYCIP GORRES VELAYO & CO.

Arnel F. De Jesus
Partner
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February 14, 2013, valid until February 13, 2016
Tax Identification No. 152-884-385
BIR Accreditation No. 08-001998-15-2012,
June 19, 2012, valid until June 18, 2015
PTR No. 4751272, January 5, 2015, Makati City

February 17, 2015

COOPERATIEF IMI EUROPE U.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31	
	2014	2013
ASSETS		
Current Assets		
Cash (Note 5)	**$12,289,465**	$6,486,321
Receivables - net (Note 6)	**55,860,308**	51,832,827
Inventories (Note 7)	**34,187,944**	36,383,006
Other current assets (Note 8)	**9,119,448**	12,793,970
Total Current Assets	**111,457,165**	107,496,124
Noncurrent Assets		
Property, plant and equipment - net (Note 9)	**46,719,501**	41,997,100
Goodwill (Note 10)	**650,413**	650,413
Intangible assets (Note 11)	**2,735,513**	4,018,596
Deferred tax assets (Note 20)	**1,707,914**	644,543
Total Noncurrent Assets	**51,813,341**	47,310,652
	$163,270,506	$154,806,776

LIABILITIES AND EQUITY		
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses (Note 12)	**$39,482,376**	$38,559,844
Loans payable (Note 13)	**26,810,423**	25,896,190
Current portion of long-term debt (Note 14)	**2,800,640**	2,903,408
Income tax payable	**415,080**	292,047
Total Current Liabilities	**69,508,519**	67,651,489
Noncurrent Liabilities		
Noncurrent portion of:		
Long-term debt (Note 14)	**11,207,250**	14,801,253
Obligation under finance lease (Note 23)	**2,257,584**	2,977,968
Deferred tax liabilities (Note 20)	**1,400,332**	2,959,369
Retirement liability (Note 21)	**393,606**	383,969
Due to related parties (Note 24)	**28,808,733**	28,808,733
Total Noncurrent Liabilities	**44,067,505**	49,931,292
Total Liabilities	**113,576,024**	117,582,781
MEMBERS' EQUITY		
Equity Attributable to Equity Holders of the Parent Company		
Members' contribution (Note 15)	**6,681,695**	6,388,893
Retained earnings	**53,089,206**	31,541,437
Cumulative translation adjustment	**(10,076,419)**	(781,481)
	49,694,482	37,148,849
Equity Attributable to Non-controlling Interests in a Consolidated Subsidiary	**–**	75,146
Total Members' Equity	**49,694,482**	37,223,995
	$163,270,506	$154,806,776

See accompanying Notes to Consolidated Financial Statements.

COOPERATIEF IMI EUROPE U.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31	
	2014	2013
REVENUES		
Sale of goods	**$266,278,050**	$235,286,557
Sale of services	**2,525,326**	522,389
	268,803,376	235,808,946
COST OF SALES (Note 16)		
Cost of goods sold	**228,724,622**	206,847,686
Cost of services	**1,785,399**	522,389
	230,510,021	207,370,075
GROSS PROFIT	**38,293,355**	28,438,871
OPERATING EXPENSES (Note 17)	**(14,535,768)**	(12,677,019)
OTHERS - net		
Interest expense (Note 19)	**(1,428,421)**	(1,539,056)
Foreign exchange losses - net	**(605,931)**	(167,793)
Interest income (Note 5)	**1,501**	1,229
Miscellaneous income - net	**434,262**	447,342
INCOME BEFORE INCOME TAX	**22,158,998**	14,503,574
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 20)		
Current	**3,125,967**	2,154,786
Deferred	**(2,593,772)**	(361,542)
	532,195	1,793,244
NET INCOME	**$21,626,803**	$12,710,330
Net Income Attributable to:		
Equity holders of the Parent Company	**$21,547,769**	$12,698,266
Non-controlling interests	**79,034**	12,064
	$21,626,803	$12,710,330

See accompanying Notes to Consolidated Financial Statements.

COOPERATIEF IMI EUROPE U.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2014	2013
NET INCOME FOR THE YEAR	**$21,626,803**	$12,710,330
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences arising from translation of foreign operations	**(9,294,938)**	880,631
TOTAL COMPREHENSIVE INCOME	**$12,331,865**	$13,590,961
Total Comprehensive Income Attributable to:		
Equity holders of the Parent Company	**$12,252,831**	$13,578,897
Non-controlling interests	**79,034**	12,064
	$12,331,865	$13,590,961

See accompanying Notes to Consolidated Financial Statements.

COOPERATIEF IMI EUROPE U.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

	Attributable to Equity Holders of the Parent Company				
	Members' Contribution (Note 15)	Retained Earnings	Cumulative Translation Adjustment	Attributable to Non-controlling Interests in a Consolidated Subsidiary	Total
Balances at January 1, 2014	**$6,388,893**	**$31,541,437**	**($781,481)**	**$75,146**	**$37,223,995**
Acquisition of non-controlling interests	**292,802**	**–**	**–**	**(154,180)**	**138,622**
	6,681,695	**31,541,437**	**(781,481)**	**(79,034)**	**$37,362,617**
Net income	**–**	**21,547,769**	**–**	**79,034**	**21,626,803**
Other comprehensive loss	**–**	**–**	**(9,294,938)**	**–**	**(9,294,938)**
Total comprehensive income (loss)	**–**	**21,547,769**	**(9,294,938)**	**79,034**	**12,331,865**
Balances at December 31, 2014	**$6,681,695**	**$53,089,206**	**($10,076,419)**	**$–**	**$49,694,482**
Balances at January 1, 2013	$6,388,893	$18,843,171	($1,662,112)	$63,082	$23,633,034
Net income	–	12,698,266	–	12,064	12,710,330
Other comprehensive income	–	–	880,631	–	880,631
Total comprehensive income	–	12,698,266	880,631	12,064	13,590,961
Balances at December 31, 2013	$6,388,893	$31,541,437	($781,481)	$75,146	$37,223,995

See accompanying Notes to Consolidated Financial Statements.

COOPERATIEF IMI EUROPE U.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**$22,158,998**	$14,503,574
Adjustments for:		
Depreciation of property, plant and equipment (Note 9)	**5,787,156**	5,232,912
Interest expense (Note 19)	**1,428,421**	1,539,056
Amortization of intangible assets (Note 11)	**1,480,189**	1,436,550
Provisions for:		
Inventory obsolescence (Note 7)	**1,710,552**	579,209
Doubtful accounts (Note 6)	**588,293**	171,824
Retirement expense (Note 21)	**65,666**	74,832
Unrealized foreign exchange loss (gain) - net	**87,689**	(7,904)
Interest income (Note 5)	**(1,501)**	(1,229)
Cost of share-based payments (Note 22)	**20,791**	–
Gain on sale of property, plant and equipment (Note 9)	**(6,278)**	–
Operating income before working capital changes	**33,319,976**	23,528,824
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	**(6,049,719)**	(8,826,822)
Inventories	**(393,101)**	(8,664,870)
Other current assets	**2,662,390**	(7,667,052)
Increase in accounts payable and accrued expenses	**1,085,725**	8,639,387
Net cash generated from operations	**30,625,271**	7,009,467
Interest paid	**(3,002,934)**	(2,243,873)
Income tax paid	**(1,486,973)**	(2,014,147)
Interest received	**1,501**	1,229
Net cash provided by operating activities	**26,136,865**	2,752,676
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property, plant and equipment (Note 9)	**(13,453,399)**	(7,301,142)
Intangible assets (Note 11)	**(223,268)**	(68,122)
Proceeds from sale of property, plant and equipment	**22,525**	27,149
Net cash used in investing activities	**(13,654,142)**	(7,342,115)
CASH FLOWS FROM FINANCING ACTIVITIES		
Availment of loans payable	**(3,973,366)**	22,800,958
Payments of:		
Loans payable	**(1,327,301)**	(17,903,016)
Finance lease	**(1,240,290)**	(523,260)
Cash paid on acquisition of non-controlling interests (Note 3)	**(138,622)**	–
Net cash (used in) provided by financing activities	**(6,679,579)**	4,374,682
NET INCREASE (DECREASE) IN CASH	**5,803,144**	(214,757)
CASH AT BEGINNING OF YEAR	**6,486,321**	6,701,078
CASH AT END OF YEAR (Note 5)	**$12,289,465**	$6,486,321

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

Cooperatief IMI Europe U.A. (“Cooperatief” or the “Parent Company”), a non-stock holding entity registered under the laws of Amsterdam, the Netherlands on May 2, 2011, has four wholly-owned subsidiaries, namely: Integrated Micro-Electronics Bulgaria EOOD (formerly EPIQ Electronic Assembly EOOD) (IMI BG), Integrated Micro-Electronics Czech Republic s.r.o. (formerly EPIQ CZ s.r.o.) (IMI CZ), Integrated Micro-Electronics Mexico, S.A.P.I. de C.V. (formerly EPIQ MX, S.A.P.I de C.V.) (IMI MX) and IMI France SAS (IMI France) (collectively referred to as the “Group”). The Group’s parent company is Monarch Elite Ltd. (Monarch), a limited liability company incorporated in Hong Kong and a subsidiary of IMI International (Singapore) Pte Ltd. (“IMI Singapore”). IMI Singapore is a wholly-owned subsidiary of Integrated Micro-Electronics, Inc. (IMI), a company registered under the laws of the Republic of the Philippines and listed in the Philippine Stock Exchange (PSE). IMI is 50.92% owned AYC Holdings, Ltd. (AYC), a corporation incorporated in the British Virgin Islands and a wholly-owned subsidiary of AC International Finance Ltd. under the umbrella of Ayala Corporation (AC), a corporation incorporated in the Republic of the Philippines and listed in the PSE. AC is 49.03% owned by Mermac, Inc., 10.18% owned by Mitsubishi Corporation and the rest by the public. The registered office address of the Parent Company is Locatellikade 1, 1077 MA Amsterdam, the Netherlands.

On July 29, 2011, the Parent Company and EPIQ NV executed a Share Purchase Agreement (SPA) wherein EPIQ NV agreed to sell to Cooperatief IMI Europe U.A. (Cooperatief), an indirect subsidiary of the Parent Company, all of its shares in its subsidiaries, Integrated Micro-Electronics Bulgaria EOOD (formerly EPIQ Electronic Assembly EOOD) (IMI BG), Integrated Micro-Electronics Czech Republic s.r.o. (formerly EPIQ CZ s.r.o.) (IMI CZ) and Integrated Micro-Electronics Mexico, S.A.P.I. de C.V. (formerly EPIQ MX, S.A.P.I de C.V.) (IMI MX) (collectively referred to as “IMI EU/MX Subsidiaries”) in exchange for €43.45 million ($59.77 million) consisting of the Parent Company’s 200 million common shares with a value of €24.37 million ($28.81 million), and €19.08 million ($27.32 million) to be paid by the Parent Company in cash, out of which €4.83 million ($6.92 million) will be paid upfront and the balance to be paid on a deferred basis.

The aggregate purchase consideration of €43.45 million is broken down into: (1) payment of approximately €11.73 million ($16.80 million) to EPIQ NV in consideration of assumption of the receivables of EPIQ NV from the IMI EU/MX Subsidiaries that was transferred to the Parent Company; and (2) payment of approximately €31.72 million ($39.32 million) to EPIQ NV for the purchase of equity share in the IMI EU/MX Subsidiaries.

IMI EU/MX Subsidiaries design and produce printed circuits, electronic modules for domestic goods and spray casting of plastics, and supply assembled and tested systems and sub-systems which include drive and control elements for automotive equipment, household appliances, industrial market and other applications with plastic parts and electronic components. IMI EU/MX Subsidiaries also provide engineering, research and development, and logistics management services.

The consolidated financial statements as of and for the years ended December 31, 2014 and 2013 were authorized for issue by the Cooperatief’s Board of Directors on February 17, 2015.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

The consolidated financial statements have been prepared under the historical cost basis. The consolidated financial statements are presented in United States Dollar (USD), which is the functional currency of IMI, and are rounded off to the nearest USD, except when otherwise indicated.

Statement of Compliance
The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

3. **Summary of Significant Accounting and Financial Reporting Policies**

Basis of Consolidation
The consolidated financial statements include the financial statements of the Parent Company and the following subsidiaries as of December 31, 2014 and 2013:

Name of Subsidiary	Percentage of Ownership (2014)	(2013)	Country of Incorporation	Functional Currency
IMI BG	100.00%	100.00%	Bulgaria	Bulgarian Lev (BGN)
Microenergia EOOD	100.00%	70.00%	Bulgaria	Bulgarian Lev
IMI CZ	100.00%	100.00%	Czech Republic	Czech Koruna (CZK)
IMI MX	100.00%	100.00%	Mexico	USD
Integrated Micro-Electronics Manufactura S.A.P.I de C.V.	100.00%	100.00%	Mexico	Mexican Peso (MXP)
IMI France	100.00%	100.00%	France	Euro (EUR)

Acquisition of additional interest in Microenergia
In October 2014, IMI BG acquired the remaining 30% ownership interest in Microenergia for a total consideration of $138,622.

The details of the transaction are as follow:

Non-controlling interest acquired	($154,180)
Consideration paid to the non-controlling shareholder	(138,622)
Total amount recognized in equity	($292,802)

Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee if, and only if, the Group has:

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

When the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. The financial statements of the subsidiaries are prepared for the same balance sheet date as the Parent Company, using consistent accounting policies. All intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Parent Company loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation adjustments recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the Parent Company's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Parent Company had directly disposed of the related assets and liabilities.

Non-controlling Interests
Non-controlling interests represent the portion of profit or loss and the net assets not held by the Parent Company and are presented separately in the consolidated statement of income, consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from equity attributable to the Parent Company.

Changes in Accounting Policies and Disclosures
New and amended standards and interpretation
The Group applied for the first time certain standards and interpretation, which are effective for annual periods beginning on or after January 1, 2014. Except when otherwise indicated, these standards and interpretation have no impact on the Group's financial position, financial performance and/or disclosures:

- Philippine Accounting Standards (PAS) 32 (Amendments), *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*

  These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively.

- PAS 36 (Amendments), *Impairment of Assets – Recoverable Amount Disclosures for Nonfinancial Assets*

  These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period.

- PAS 39 (Amendments), *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*

  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required.

- PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities* and PAS 27, *Separate Financial Statements* (Amendments) – *Investment Entities*

  These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss (FVPL). The amendments must be applied retrospectively, subject to certain transition relief.

- Philippine Interpretation of International Financial Reporting Interpretations Committee (IFRIC) 21, *Levies*

  Philippine Interpretation of IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for this interpretation.

<u>Standards Issued but not yet Effective</u>
The Group will adopt the following new and amended standards and interpretation when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards and interpretation to have significant impact on the consolidated financial statements.

Effective in 2015

- PAS 19 (Amendments), *Employee Benefits – Defined Benefit Plans: Employee Contributions* (effective for annual periods beginning on or after January 1, 2015 and are applied retrospectively)

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

- Annual Improvements to PFRSs (2010-2012 Cycle) (effective for annual periods beginning on or after January 1, 2015)

  These annual improvements include:

  - PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization*

    The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

  - PAS 24, *Related Party Disclosures – Key Management Personnel*

    The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

- PFRS 2, *Share-based Payment – Definition of Vesting Condition*

  This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

  - A performance condition must contain a service condition.
  - A performance target must be met while the counterparty is rendering service.
  - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group.
  - A performance condition may be a market or non-market condition.
  - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

- PFRS 3, *Business Combinations – Accounting for Contingent Consideration in a Business Combination*

  The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at FVPL whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement*.

- PFRS 8, *Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*

  The amendments are applied retrospectively and clarify that:

  - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
  - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

- Annual Improvements to PFRSs (2011-2013 Cycle) (effective for annual periods beginning on or after January 1, 2015)

  These annual improvements include:

  - PAS 40, *Investment Property*

    The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

  - PFRS 3, *Business Combinations – Scope Exceptions for Joint Arrangements*

    The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

    - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
    - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

- PFRS 13, *Fair Value Measurement – Portfolio Exception*

  The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39.

Effective in 2016

- PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets* (Amendments) – *Clarification of Acceptable Methods of Depreciation and Amortization* (effective for annual periods beginning on or after January 1, 2016 and are applied prospectively)

  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

- PAS 16, *Property, Plant and Equipment* and PAS 41, *Agriculture* (Amendments) – *Bearer Plants* (effective for annual periods beginning on or after January 1, 2016 and are applied retrospectively)

  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply.

- PAS 27 (Amendments), *Separate Financial Statements – Equity Method in Separate Financial Statements* (effective for annual periods beginning on or after January 1, 2016 and are applied retrospectively)

  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (effective for annual periods beginning on or after January 1, 2016 and are applied retrospectively)

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

- PFRS 11 (Amendments), *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations* (effective for annual periods beginning on or after January 1, 2016 and are applied prospectively)

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

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation.

- Annual Improvements to PFRSs (2012-2014 Cycle) (effective for annual periods beginning on or after January 1, 2016)

  These annual improvements include:

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

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

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

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

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

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

Effective in 2018

- PFRS 9, *Financial Instruments* (effective for annual periods beginning on or after January 1, 2018 and are applied retrospectively)

  In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The Group is currently assessing the impact of adopting this standard.

Interpretation whose effective date was deferred

- Philippine Interpretation of IFRIC 15, *Agreements for the Construction of Real Estate*

  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The Philippine SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

Standard issued by the IASB but not yet been adopted by the FRSC

- IFRS 15, *Revenue from Contracts with Customers*

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

  The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

The significant accounting policies that have been used in the preparation of the consolidated financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Current versus Noncurrent Classification
The Group presents assets and liabilities in the consolidated balance sheet based on current or noncurrent classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the balance sheet date; or
- Cash or cash equivalent, unless restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for trading;
- It is due to be settled within twelve months after the balance sheet date; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the balance sheet date.

All other liabilities are classified as noncurrent.

Cash and Cash Equivalents
Cash includes cash on hand and in banks.

Financial Instruments - Initial Recognition and Subsequent Measurement
Classification of financial instruments
Financial instruments within the scope of PAS 39 are classified as:

1. Financial assets and financial liabilities at FVPL;
2. Loans and receivables;
3. Held-to-maturity (HTM) investments;
4. AFS financial assets; and
5. Other financial liabilities.

The classification depends on the purpose for which the instruments were acquired and whether they are quoted in an active market. The Group determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates this designation at every balance sheet date.

The financial instruments of the Group as of December 31, 2014 and 2013 consist of receivables and other financial liabilities.

Date of recognition of financial instruments
Financial instruments are recognized in the consolidated balance sheets when the Group becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, are done using trade date accounting. The Group follows the trade date accounting where an asset to be received and liability to be paid are recognized on the trade date and the derecognition of an asset that is sold and the recognition of a receivable from the buyer are likewise recognized on the trade date.

In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the “Day 1” difference amount.

Receivables
Receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market.

Receivables are recognized initially at fair value, plus transaction costs that are attributable to the acquisition of receivables.

After initial measurement, receivables are subsequently measured at amortized cost using the effective interest rate (EIR) method, less allowance for doubtful accounts. Amortized cost is calculated by taking into account any discount or premium on the acquisition and fees or costs that are an integral part of the EIR. Gains and losses are recognized in profit or loss when receivables are derecognized or impaired, as well as through the amortization process.

This accounting policy relates primarily to the Group’s cash and cash equivalents, and receivables.

Other financial liabilities
This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations and borrowings.

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

After initial measurement, other financial liabilities are measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the acquisition and fees or costs that are an integral part of the EIR. Gains and losses are recognized in profit or loss when other financial liabilities are derecognized, as well as through the EIR amortization process.

This accounting policy relates primarily to the Group's accounts payable and accrued expenses (excluding customers' deposits, statutory payables and taxes payable), loans payable, long-term debt and to due to related parties.

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

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

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at balance sheet date.

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

The fair values of financial instruments of the Group measured at amortized cost are disclosed in Note 24.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheets 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.

Derecognition of Financial Instruments
Financial asset
A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized (that is, removed from the consolidated balance sheets) when:

- The right to receive cash flows from the asset have expired; or
- The Group has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either:

    a. The Group has transferred substantially all the risks and rewards of the asset; or
    b. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

Impairment of Financial Assets
The Group assesses, at each balance sheet date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred "loss event"), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Receivables
For receivables, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are

individually assessed for impairment and for which an impairment loss is, or continues to be recognized, are not included in a collective assessment for impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. Receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated provision for doubtful accounts increases or decreases because of an event occurring after the provision for doubtful accounts was recognized, the previously recognized provision for doubtful accounts is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is recognized in profit or loss.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Cost is determined using the moving average method for raw materials and supplies. For finished goods and work-in-process, cost includes direct materials, direct labor, and a proportion of manufacturing overhead costs based on normal operating capacity determined using the moving average method. NRV is the estimated selling price in the ordinary course of business, less the estimated costs of completion and costs necessary to make the sale. In the event that NRV is lower than cost, the decline shall be recognized as an expense in profit or loss.

Tax Credits

Tax credits, included under "Other current assets" account in the consolidated balance sheets, include amounts withheld from income tax payments and value added tax refund claims.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses. The initial cost of property, plant and equipment consists of its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to profit or loss in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property, plant and equipment.

Construction in progress is stated at cost, less impairment loss, if any. This includes costs of construction and installation of property, plant and equipment and machinery items, and any other costs directly attributable to bringing the asset to its intended use. Construction in progress is not depreciated until such time as the relevant assets are completed and put into operational use.

Depreciation of property, plant and equipment commences once the property, plant and equipment are available for use and is calculated on a straight-line basis over the estimated useful lives (EUL) of the assets as follows:

	Years
Buildings	25 - 30
Building improvements	5
Machineries and facilities equipment	5-10
Furniture, fixtures and office equipment	3 - 5
Transportation equipment	3 - 5
Tools and instruments	2 - 5

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

Fully depreciated property, plant and equipment are retained in the accounts until these are no longer used and no further depreciation is charged to profit or loss.

The EUL and methods of depreciation of property, plant and equipment are reviewed annually and adjusted prospectively, if appropriate. The EUL of property, plant and equipment are based on expected asset utilization as anchored on business plans and strategies that also consider expected future technological developments and market behavior to ensure that the period of depreciation is consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects to measure the non-controlling interest in the acquiree at the proportionate share of the acquiree’s identifiable net assets. Acquisition-related costs are expensed as incurred and included in the consolidated statements of income under “Operating expenses” account.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability, that is a financial instrument and within the scope of PAS 39 is measured at fair value, with changes in fair value recognized either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of PAS 39, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognized in profit or loss. The Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost, less accumulated impairment losses. For purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGU, or group of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is allocated should:

- Represent the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- Not be larger than an operating segment determined in accordance with PFRS 8.

When goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill allocated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation.

Intangible Assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as of the date of acquisition.

After initial recognition, intangible assets are carried at cost, less accumulated amortization and any accumulated impairment losses.

The EUL of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortized over their EUL and assessed for impairment whenever there is an indication that the intangible asset is impaired. The amortization period and method for intangible assets with finite useful lives are reviewed at least at the end of each balance sheet date. Changes in the EUL or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite useful lives is recognized in profit or loss.

The EUL of intangible assets are as follows:

	Years
Customer relationships	5
Computer software	3

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite useful life is reviewed annually to determine whether the indefinite useful life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss when the asset is derecognized.

Impairment of Nonfinancial Assets
The Group assesses, at each balance sheet date, whether there is an indication that an asset is impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value-in-use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. 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.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGU to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years.

For assets excluding goodwill, an assessment is made at each balance sheet date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such reversal, the depreciation and amortization expense is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining EUL.

Goodwill is tested for impairment annually as of September 30 and when circumstances indicate that the carrying amount is impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

<u>Provisions</u>
Provisions are recognized when the Group 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.

When the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

<u>Equity</u>
Members' contribution
Members' contribution pertains to the capital contributed by members.

Retained earnings
Retained earnings represent the net accumulated earnings of the Group.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group 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. The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods
Revenue from sale of goods is recognized when goods are shipped or goods are received by the customer, depending on the corresponding agreement with the customers, title and risk of ownership have passed, the price to the buyer is fixed or determinable, and recoverability is reasonably assured.

Rendering of services
Revenue from sale of services is recognized when the related services to complete the required units have been rendered.

Interest income
Interest income is recognized as it accrues using the EIR method.

Dividends
Dividend income is recognized when the right to receive the payment is established.

Miscellaneous income
Miscellaneous income is recognized as the Group earns the right over it.

Expenses
Expenses of the Group include cost of sales, operating expenses and interest expense.

Cost of sales
This account includes cost of goods sold and cost of services. These expenses pertain to the direct expenses incurred by the Group in relation to the products and services offered. Cost of sales is recognized when the related goods are sold and when services are rendered.

Operating expenses
This account pertains to the general and administrative expenses. Operating expenses are recognized when incurred, except for rental expense, which is computed on a straight line-basis over the lease term.

Interest expense
Interest expense is incurred with the passage of time and is recorded on an accrual basis.

Foreign Currency Transactions
The functional currencies of the Group's foreign operations are determined as the currency in the country where the subsidiary operates. For consolidation purposes, the foreign subsidiaries' balances are translated to USD, which is IMI's functional and presentation currency.

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

The functional currencies of the Group's foreign subsidiaries are USD, EUR, BGN, CZK and MXP. As at the balance sheet date, the assets and liabilities of these subsidiaries are translated into the presentation currency of the Parent Company at the rate of exchange ruling at the balance sheet date and their profit and loss accounts are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are recognized in the consolidated statement of comprehensive income and reported as a separate component of equity.

Exchange differences arising from elimination of intragroup balances and intragroup transactions are recognized in profit or loss. As an exception, if the exchange differences arise from intragroup balances that, in substance, forms part of an entity's net investment in a foreign operation, the exchange differences are not to be recognized in profit or loss, but are recognized in OCI and accumulated in a separate component of equity until the disposal of the foreign operation.

On disposal of a foreign entity, the deferred cumulative amount recognized in the consolidated statement of comprehensive income relating to that particular foreign operation shall be recognized in profit or loss.

Income Taxes

Current tax

Current tax assets and current tax liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as of the balance sheet date in the countries where the Group operates and generates taxable profit.

Current tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, when appropriate.

Deferred tax

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

Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of unused tax losses, to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences and carryforward benefits of unused tax losses can be utilized, except:

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

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

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

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as of the balance sheet date.
Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

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

<u>Retirement and Other Employee Benefits</u>
Defined benefit plans
IMI BG maintains separate defined benefit plan covering substantially all of their employees. The plan of IMI BG is unfunded and noncontributory.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with the option to accelerate when significant changes to underlying assumptions occur.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

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

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

Net retirement liabilities are the aggregate of the present value of the defined benefit obligation at the end of the balance sheet date reduced by the fair value of plan assets, adjusted for any effect of limiting a net retirement asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. The fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

Defined contribution plans
IMI CZ and IMI MX participate in their respective national retirement schemes which are considered as defined contribution plans. A defined contribution plan is a retirement plan under which the subsidiary pays fixed contributions. Each subsidiary has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all the employees the benefits relating to employee service in the current and prior periods. The required contributions to the national retirement schemes are recognized as retirement expense as accrued.

IMI CZ
IMI CZ, under its Collective Agreement, is committed to pay contributions to life and retirement insurance of its loyal employees. This is done on a monthly basis as part of payroll expenses and only over the employment period. IMI CZ is not obliged to any other payments if employment terminates.

IMI MX
In accordance with the Mexican Labor Law, IMI MX provides seniority premium benefits to its employees under certain circumstances. These benefits consist of a one-time payment equivalent to twelve days of wage for each year of service (at the employee's most recent salary, but not to exceed twice the legal minimum wage), payable to all employees with fifteen (15) or more years of service, as well as to certain employees terminated involuntarily prior to the vesting of their seniority premium benefit. IMI MX estimates that the differences that might be determined if this liability had been estimated by an independent actuary are immaterial.

IMI MX also provides statutorily mandated severance benefits to its employees terminated under certain circumstances. Such benefits consist of a one-time payment of three (3) months wages plus twenty (20) days wages for each year of service payable upon involuntary termination without just cause. These are recognized when such an event occurs.

Share-based Payment Transactions
Certain employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions").

The Group has an employee stock ownership plan (ESOWN) which allows the grantees to purchase IMI's shares at a discounted price. The Group recognizes employee benefit expense over the holding period. The Group treats its ESOWN plan as option exercisable within a given period. These are accounted for similar to the methods outlined in PFRS 2. Dividends paid on the awards that have vested are deducted from equity while those paid on awards that are unvested are charged to profit or loss.

Leases
The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in the arrangement.

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments and included in the "Property, plant and equipment" account, with the corresponding liability to the lessor included in the "Accounts payable and accrued expenses" account for the current portion, and "Noncurrent portion of obligation under finance lease" account for the noncurrent portion in the consolidated balance sheets. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized under "Interest expense and bank charges" account in the consolidated statements of income.

Capitalized leased assets are depreciated over the shorter of the EUL of the assets and the respective lease terms.

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as expense in profit or loss on a straight-line basis over the respective lease terms.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

Events after the Balance Sheet Date
Post year-end events that provide additional information about the Group's financial position at the balance sheet date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are non-adjusting events are disclosed in the consolidated financial statements when material.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Uncertainty about these judgments, assumptions and estimates could result in outcomes that require a material adjustment to the carrying amounts of assets and liabilities affected in future periods.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Functional currency
PAS 21, *Effects of Changes in Foreign Exchange Rates*, requires management to use its judgment to determine each entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the Group. In making this judgment, each entity within the Group considers the currency in which the sales prices for its goods and services are denominated and settled.

Effective March 1, 2014, IMI MX changed its functional currency from MXN to USD. Management believes that the change in the functional currency was necessary to define the currency of the primary economic environment in which these entities operate.

Finance lease commitments - Group as lessee
IMI BG and IMI CZ have various finance lease contracts related to machineries and production equipment and transportation equipment. They have determined, based on the evaluation of the terms and conditions of their respective arrangements, that they bear substantially all the risks and rewards incidental to the ownership of the said assets and so account for the contracts as finance leases.

Further details are given in Note 23.

Contingencies
The Group is currently involved in various legal proceedings and tax assessments. The estimate of the probable costs of the resolutions and assessments of these claims have been developed in consultation with outside counsels handling the defense in these matters and is based upon an

analysis of potential results. The Group currently does not believe that these proceedings and tax assessments will have a material effect on the Group's financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.

Further details are given in Note 27.

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its estimates and assumptions on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of receivables
The Group reduces the carrying amount of its receivables through the use of an allowance account if there is objective evidence that an impairment loss on receivables has been incurred, based on the result of the individual and collective impairment assessments. Factors considered are payment history and past due status.

Further details on receivables are disclosed in Note 6.

Estimating NRV of inventories
Inventories are valued at the lower of cost and NRV. This requires the Group to make an estimate of the inventories' estimated selling price in the ordinary course of business, costs of completion and costs necessary to make a sale to determine the NRV. In the event that NRV is lower than cost, the decline is recognized as an expense.

Further details on inventories are disclosed in Note 7.

Depreciation and amortization
The Group computes depreciation and amortization of property, plant and equipment and intangible assets with finite useful life on a straight-line basis over the assets' EUL. The EUL and depreciation and amortization method are reviewed annually to ensure that these are consistent with the expected pattern of the economic benefits from the assets. This requires the Group to make an estimate of the expected asset utilization from business plans and strategies, future technical developments and market behavior to determine the expected pattern of economic benefits from the assets. Changes in the EUL or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the depreciation and amortization period or method, as appropriate, and are treated as changes in accounting estimates. The depreciation and amortization expense on property, plant and equipment and intangible assets with finite useful lives are recognized in profit or loss, in the expense category, consistent with the function of the property, plant and equipment and intangible assets.

Further details on property, plant and equipment and intangible assets are disclosed in Notes 9 and 11, respectively.

Impairment of property, plant and equipment and intangible assets
The Group determines at each balance sheet date whether there is any indication that an item of property, plant and equipment and intangible assets with finite useful lives may be impaired, or whether there is any indication that an impairment loss previously recognized for an asset in prior periods may no longer exists or has decreased. If any such indication exists, and when the carrying amount of an asset exceeds its estimated recoverable amount, the asset or the CGU to which the asset belongs is written down to its recoverable amount.

For goodwill, the Group determines whether goodwill is impaired at least on an annual basis. The impairment testing may be performed at any time in the annual reporting period, but it must be performed at the same time every year and when circumstances indicate that the carrying amount is impaired. The impairment testing also requires an estimation of the recoverable amount, which is the net selling price or value-in-use of the CGU to which the goodwill is allocated. The most recent detailed calculation made in a preceding period of the recoverable amount of the CGU may be used for the impairment testing for the current period provided that:

1. The assets and liabilities making up the CGU have not changed significantly from the most recent calculation;
2. The most recent recoverable amount calculation resulted in an amount that exceeded the carrying amount of the CGU by a significant margin; and
3. The likelihood that a current recoverable amount calculation would be less than the carrying amount of the CGU is remote, based on an analysis of events that have occurred, and circumstances that have changed since the most recent recoverable amount calculation.

When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or CGU and choose a suitable discount rate in order to calculate the present value of those cash flows.

Further details on property, plant and equipment and intangible assets are disclosed in Notes 9, 10 and 11, respectively.

Taxes
Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws and the amount and timing of future taxable profits. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience on previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of unused tax losses, to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences and carryforward benefits of unused tax losses can be utilized. Significant judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Further details on taxes are disclosed in Note 20.

Retirement benefits
The cost of defined benefit plan and the present value of the defined benefit obligation are determined using an actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, turnover rate, mortality rate, salary increase rate and future retirement increase. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each balance sheet date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The turnover rate represents the proportion of the current plan members who will resign from service prior to their retirement date and hence, be entitled to resignation benefits instead of retirement benefits. The mortality rate is based on publicly available mortality tables and is modified accordingly with estimates of mortality improvements. Salary increase rate and future retirement increase are based on expected future inflation rates.

Further details on retirement benefits are disclosed in Note 21.

Share-based payments
The expected life of the options is based on the expected exercise behavior of the stock option holders and is not necessarily indicative of the exercise patterns that may occur. The expected volatility is based on the average historical price volatility which may be different from the expected volatility of the shares of stock of IMI.

Further details on ESOWN are disclosed in Note 22.

5. **Cash**

This account consists of:

	2014	2013
Cash on hand	**$17,271**	$19,142
Cash in banks	**12,272,194**	6,467,179
	$12,289,465	$6,486,321

Cash in banks earns interest at the respective bank deposit rates. Interest income earned from cash in banks amounted to $1.50 thousand and $1.23 thousand in 2014 and 2013, respectively.

6. **Receivables - net**

This account consists of:

	2014	2013
Trade	**$54,933,350**	$49,933,766
Nontrade	**1,483,971**	1,946,052
Due from related parties (Note 24)	**8,828**	73,746
Others	**104,880**	121,808
	56,531,029	52,075,372
Less allowance for doubtful accounts	**670,721**	242,544
	$55,860,308	$51,832,828

Trade
Trade receivables arise from manufacturing and other related services for electronic products and components and have credit terms ranging from 30 to 60 days after the sale.

As of December 31, 2013, IMI BG's pledged receivables with UniCredit Bulbank amounted to €5.00 million ($7.01 million) (see Note 13).

Nontrade
Nontrade receivables represent billings for all other charges agreed with the customers in carrying out business operations. These receivables have credit terms ranging from 30 to 60 days from invoice date.

Allowance for Doubtful Accounts
Trade receivables with aggregate nominal value of $0.67 million and $0.24 million were individually assessed to be impaired and fully provided with allowance for doubtful accounts as of December 31, 2014 and 2013, respectively.

Movements in the allowance for doubtful accounts follow:

	2014	2013
At January 1	**$242,544**	$260,519
Provisions	**588,293**	171,824
Accounts written-off	**(160,116)**	(189,799)
At December 31	**$670,721**	$242,544

Provisions during the year form part of "Operating expenses" account and are included under "Facilities costs and others" (see Note 18).

7. **Inventories**

This account consists of:

	2014	2013
Cost		
Raw materials and supplies	**$19,675,202**	$25,923,398
Work-in-process	**4,960,699**	3,464,830
Finished goods	**12,162,590**	7,894,773
	36,798,491	37,283,001
Allowance for inventory obsolescence		
Raw materials and supplies	**2,363,752**	758,663
Work-in-process	**56,662**	65,208
Finished goods	**190,133**	76,124
	2,610,547	899,995
	$34,187,944	$36,383,006

The amount of inventories recognized as an expense under "Cost of goods sold and services" account amounted to $182.86 million in 2014 and $166.75 million in 2013 (see Note 16).

Movements in the allowance for inventory obsolescence are as follows:

	2014	2013
At January 1	**$899,995**	$320,786
Provisions (Note 18)	**1,710,552**	579,209
At December 31	**$2,610,547**	$899,995

As of December 31, 2013, IMI BG's pledged inventories with UniCredit Bulbank amounted to €8.00 million ($11.04 million) (see Note 13).

8. **Other Current Assets**

This account consists of:

	2014	2013
Tax credits	**$7,024,827**	$12,171,760
Prepayments	**2,094,351**	505,601
Input taxes	**56**	116,103
Others	**214**	506
	$9,119,448	$12,793,970

Tax credits and input taxes are attributable to IMI MX and IMI BG.

Prepayments include prepayments for life and fire insurance and rent.

9. Property, Plant and Equipment - net

Movements in this account are as follows:

<u>2014</u>

	Buildings and Improvements	**Machinery and Facilities Equipment**	**Furniture, Fixtures and Office Equipment**	**Transportation Equipment**	**Construction in Progress**	**Total**
Cost						
At January 1, 2014	**$19,821,054**	**$31,219,193**	**$2,135,546**	**$224,975**	**$563,337**	**$53,964,105**
Additions	**1,680,955**	**6,811,764**	**542,316**	**143,090**	**4,774,639**	**13,952,764**
Disposals	**–**	**–**	**(16,731)**	**(114,852)**	**–**	**(131,583)**
Transfers	**71,005**	**1,746,102**	**140,632**	**–**	**(1,957,739)**	**–**
Foreign currency exchange difference	**(1,426,879)**	**(5,435,906)**	**(289,231)**	**(163,064)**	**(312,340)**	**(7,627,420)**
At December 31, 2014	**20,146,135**	**34,341,153**	**2,512,532**	**90,149**	**3,067,897**	**60,157,866**
Accumulated depreciation						
At January 1, 2014	**650,783**	**10,089,610**	**1,198,891**	**27,721**	**–**	**11,967,005**
Depreciation	**613,487**	**4,806,436**	**289,568**	**77,665**	**–**	**5,787,156**
Disposals	**–**	**–**	**(484)**	**(114,852)**	**–**	**(115,336)**
Foreign currency exchange difference	**(361,649)**	**(3,482,115)**	**(219,158)**	**(137,538)**	**–**	**(4,200,460)**
At December 31, 2014	**902,621**	**11,413,931**	**1,268,817**	**(147,004)**	**–**	**13,438,365**
Net book value	**$19,243,514**	**$22,927,222**	**$1,243,715**	**$237,153**	**$3,067,897**	**$46,719,501**

<u>2013</u>

	Buildings and Improvements	Machinery and Facilities Equipment	Furniture, Fixtures and Office Equipment	Transportation Equipment	Construction in Progress	Total
Cost						
At January 1, 2013	$18,406,671	$21,576,240	$1,437,473	$167,534	$1,169,652	$42,757,570
Additions	460,432	4,005,862	459,116	60,977	5,409,449	10,395,836
Disposals	–	(271,020)	–	(81,904)	–	(352,924)
Transfers	1,245,220	4,641,848	161,250	52,313	(6,100,631)	–
Foreign currency exchange difference	(291,269)	1,266,263	77,707	26,055	84,867	1,163,623
At December 31, 2013	19,821,054	31,219,193	2,135,546	224,975	563,337	53,964,105
Accumulated depreciation						
At January 1, 2013	56,525	5,504,478	874,620	36,339	–	6,471,962
Depreciation	561,704	4,354,805	262,818	53,585	–	5,232,912
Disposals	–	(267,924)	–	(81,904)	–	(349,828)
Foreign currency exchange difference	32,554	498,251	61,453	19,701	–	611,959
At December 31, 2013	650,783	10,089,610	1,198,891	27,721	–	11,967,005
Net book value	$19,170,271	$21,129,583	$936,655	$197,254	$563,337	$41,997,100

As of December 31, 2014 and 2013, the cost of fully depreciated property, plant and equipment still being used by the Group amounted to $24.00 million and $24.90 million, respectively.

The carrying values of equipment under finance lease amounted to $4.03 million and $5.25 million as of December 31, 2014 and 2013, respectively.

As of December 31, 2014, IMI BG's pledged equipment with BNP Paribas amounted to $1.55 million (see Note 14).

Depreciation expense included in "Cost of goods sold and services" and "Operating expenses" accounts is as follows:

	2014	2013
Cost of goods sold and services (Note 16)	**$5,113,057**	$4,738,621
Operating expenses (Note 17)	**674,099**	494,291
	$5,787,156	$5,232,912

Gains from disposal of furniture and fixtures and tools and instruments included under "Miscellaneous income - net" account in the consolidated statements of income amounted to $6.28 thousand and nil in 2014 and 2013, respectively.

10. **Goodwill**

Goodwill amounting to $0.65 million as of December 31, 2014 and 2013, resulted from the acquisition of IMI CZ. IMI CZ is treated as the CGU for this goodwill.

The recoverable amount of this CGU has been based on value in use calculation using cash flow projections from the financial budget approved by management covering a 5-year period. The pre-tax discount rate applied to cash flow projections is 10.50% and 12.73% in 2014 and 2013, respectively.

Cash flows beyond the 5-year period are extrapolated using a steady growth rate of 1%, which does not exceed the compound annual growth rate (CAGR) for the global Electronic Manufacturing Services (EMS) industry.

Key Assumptions Used in the Value-in-Use Calculation
The calculation of value-in-use for this CGU is most sensitive to the following assumptions:

- Forecasted gross margin - Gross margins are based on the mix of business model arrangements with the customers.
- Revenue - Revenue forecasts are management's other estimates considering factors such as industry CAGR, customer projections and economic factors.
- Pre-tax discount rates - Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. This is also the benchmark used by management to assess operating performance.

No impairment loss was assessed in 2014 and 2013.

Sensitivity to Changes in Assumptions
Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of this CGU to exceed its recoverable amount.

11. Intangible Assets

Movements in this account are as follows:

2014

	Customer Relationships	**Computer Software**	**Total**
Cost			
At January 1, 2014	**$6,766,617**	**$842,803**	**$7,609,420**
Additions	**–**	**223,268**	**223,268**
Foreign currency exchange difference	**–**	**(163,015)**	**(163,015)**
At December 31, 2014	**6,766,617**	**903,056**	**7,669,673**
Accumulated amortization			
At January 1, 2014	**3,270,531**	**320,293**	**3,590,824**
Amortization	**1,353,323**	**126,866**	**1,480,189**
Foreign currency exchange difference	**–**	**(136,853)**	**(136,853)**
At December 31, 2014	**4,623,854**	**310,306**	**4,934,160**
Net book value	**$2,142,763**	**$592,750**	**$2,735,513**

2013

	Customer Relationships	Computer Software	Total
Cost			
At January 1, 2013	$6,766,617	$718,481	$7,485,098
Additions	–	68,122	68,122
Foreign currency exchange difference	–	56,200	56,200
At December 31, 2013	6,766,617	842,803	7,609,420
Accumulated amortization			
At January 1, 2013	1,917,208	162,089	2,079,297
Amortization	1,353,323	83,227	1,436,550
Foreign currency exchange difference	–	74,977	74,977
At December 31, 2013	3,270,531	320,293	3,590,824
Net book value	$3,496,086	$522,510	$4,018,596

Customer Relationships
Customer relationships pertain to IMI BG's contractual agreements with certain customers which lay out the principal terms upon which the parties agree to undertake business.

Computer Software
This includes acquisitions of computer software, applications and modules.

Amortization of intangible assets included in "Operating expenses" account amounted to $1.48 million and $1.44 million in 2014 and 2013, respectively (see Note 17).

12. Accounts Payable and Accrued Expenses

This account consists of:

	2014	2013
Trade	**$31,679,212**	$28,801,765
Accrued expenses:		
Taxes and licenses	**2,159,722**	5,353,851

(Forward)

	2014	2013
Employee salaries and benefits	**$1,254,157**	$876,314
Professional and management fees	**189,814**	629,060
Others	**1,510,622**	644,174
Due to related parties (Note 24)	**1,423,024**	937,687
Current portion of obligation under finance lease (Note 23)	**857,552**	894,341
Accrued interest payable:		
Others	**111,638**	152,020
Affiliates (Note 24)	**52,114**	70,284
Customers' deposits	**13,198**	11,215
Others	**231,323**	189,133
	$39,482,376	$38,559,844

Trade Payables
Trade payables are noninterest-bearing and are normally settled on 15 to 60-day terms.

13. **Loans Payable**

This account consists of borrowings of the following entities:

	2014	2013
IMI MX:		
Affiliates (Note 24)	**$23,310,000**	$15,500,000
Others	**–**	2,183,092
IMI CZ - affiliates (Note 24)	**3,500,423**	1,666,084
IMI BG	**–**	6,547,014
	$26,810,423	$25,896,190

IMI MX
IMI MX has a revolving credit line with Banamex amounting to $2.18 million as of December 31, 2013 with term not exceeding twelve months and bears interest based on LIBOR plus 2.00%.

Interest expense incurred on the short-term loan amounted to $0.08 million in 2013 (see Note 19).

IMI MX also has outstanding loans from IMI and IMI Singapore to fund its working capital requirements (see Note 24). In 2014 and 2013, the loans bear interest rates ranging from 2.79% to 3.08% with terms ranging from 90 to 360 days. Breakdown of the loan from IMI and IMI Singapore follows:

	2014	2013
IMI	**$9,810,000**	$12,000,000
IMI Singapore	**13,500,000**	3,500,000
	$23,310,000	$15,500,000

Interest expense incurred on these loans amounted to $0.49 million and $0.32 million in 2014 and 2013, respectively.

IMI BG
IMI BG has short-term loans from the following banks as of December 31, 2013:

Unicredit Bulbank	$5,167,138
BNP Paribas	1,379,877
	$6,547,015

The loans from UniCredit Bulbank and BNP Paribas are from revolving credit facilities with terms not exceeding one year and bear interest based on 1-month EURIBOR plus 3.00% and 3-month EURIBOR plus 2.50%, respectively.

The credit facility with UniCredit Bulbank is subject to the following collaterals:

- First ranking pledge on materials, ready-made and unfinished production at balance sheet value, minimum of €8,000,000;
- First ranking pledge on receivables from a certain customer; and
- Notary signed Soft Letter of Comfort from the Parent Company.

IMI BG's loan with UniCredit Bulbank as of December 31, 2013 amounting to $5.17 million was fully settled in the first quarter of 2014. The short-term loan with BNP Paribas was refinanced as long-term in 2014 (see Note 14).

As of December 31, 2013, IMI BG's pledged inventories and receivables with UniCredit Bulbank amounted to €13.08 million ($18.05 million) (see Notes 6 and 7).

The loan from BNP Paribas is subject to the following collaterals:

- First rank pledge on receivables from selected customers of IMI BG, subject to pre-financing in the amount of 125% of the utilized portion of the facility but not more than €3,750,000; and
- First rank pledge on goods of IMI BG in the amount of 125% of the utilized portion of the facility but not more than €3,750,000.

IMI BG incurred interest expense on its short-term loan amounting to $0.21 million in 2013 (see Note 19).

IMI CZ

IMI CZ has outstanding loans from IMI aggregating to $3.50 million and $1.67 million as of December 31, 2014 and 2013, respectively, to fund its working capital requirements (see Note 24). In 2014 and 2013, the loans bear interest rates ranging from 2.66% to 3.24% with terms not exceeding twelve months.

Interest expense incurred on these loans amounted to $0.06 million and $0.05 million in 2014 and 2013, respectively.

14. **Long-Term Debt**

This account consists of borrowings of the following entities:

	2014	2013
Cooperatief	**$12,442,999**	$16,892,242
IMI BG	**974,864**	–
IMI CZ	**590,027**	812,419
	14,007,890	17,704,661
Less current portion:		
Cooperatief	**2,428,200**	2,758,200
IMI BG	**243,716**	–
IMI CZ	**128,724**	145,208
	2,800,640	2,903,408
Noncurrent portion	**$11,207,250**	$14,801,253

Cooperatief
Under the SPA, the purchase consideration for the acquisition of IMI EU/MX Subsidiaries in 2011 includes the deferred payment aggregating to €14.25 million ($20.40 million) relating to the acquisition of EPIQ NV's shares and purchased receivables of EPIQ NV from IMI EU/MX Subsidiaries. Based on the payment schedule in the SPA, this long-term debt will be settled from 2013 to 2018, subject to interest rate of 1.60% plus 1.50%.

Cooperatief had already paid €2.00 million ($2.58 million) in 2014 and €2.00 million ($2.76 million) in 2013.

Below is the amortization schedule:

Due Dates	In EUR	In USD
2015	€2,000,000	$2,428,200
2016	2,000,000	2,428,200
2017	2,000,000	2,428,200
2018	4,248,743	5,158,399
	€10,248,743	$12,442,999

Cooperatief incurred interest expense on its long-term debt amounting to $0.47 million in 2014 and $0.55 million in 2013 (see Note 19).

IMI BG
IMI BG has a long-term debt from BNP Paribas that relates to the term loan facility for financing the construction of a new warehouse with a term of five years and bears interest based on 3-month EURIBOR plus 2.90%. The warehouse was completed in 2013 and no borrowing costs were capitalized in 2014.

The credit facility with BNP Paribas is subject to the following collateral: Security of Transfer of Ownership Title relating to office and factory equipment with the carrying value of $1.55 million (see Note 9).

IMI BG incurred interest expense amounting to $0.18 million in 2014 (see Note 19).

IMI CZ
IMI CZ has a long-term debt from Citibank that relates to a term loan facility for the purchase of its new SMT machine. The debt bears interest of 1-month EURIBOR plus 2.70% and matures on July 31, 2019.

IMI CZ incurred interest expense on its long-term debt amounting to $0.02 million in 2014 and 2013 (see Note 19).

15. **Member's Equity**

Details of the members of the Cooperatief follow:

	Country of Incorporation	**Ownership Interest**
Monarch	Hong Kong	99%
IMI Singapore	Singapore	1%

The movements in "Members' contribution" account follow:

	2014	2013
At January 1	**$6,388,893**	$6,388,893
Acquisition of non-controlling interest	**292,802**	–
At December 31	**$6,681,695**	$6,388,893

16. Cost of Goods Sold and Services

This account consists of:

	2014	2013
Direct, indirect and other material-related costs (Note 6)	**$182,855,934**	$166,747,825
Direct labor, salaries, wages and employee benefits (Note 21)	**31,534,925**	26,338,595
Depreciation (Note 9)	**5,113,057**	4,738,621
Facilities costs and others (Note 18)	**11,006,105**	9,545,034
	$230,510,021	$207,370,075

17. Operating Expenses

This account consists of:

	2014	2013
Salaries, wages and employee benefits (Note 21)	**$5,433,135**	$4,898,238
Depreciation and amortization (Notes 9 and 11)	**2,154,288**	1,930,841
Facilities costs and others (Note 18)	**6,948,345**	5,847,940
	$14,535,768	$12,677,019

18. Facilities Costs and Others

This account consists of:

	Cost of Goods Sold and Services		**Operating Expenses**	
	2014	2013	**2014**	2013
Repairs and maintenance	**$2,487,470**	$2,989,417	**$102,429**	$61,343
Utilities	**3,537,939**	2,430,410	**–**	–
Outsourced activities	**1,223,289**	522,064	**1,321,506**	2,020,334
Travel	**787,987**	1,119,371	**915,801**	979,495
Government-related	**15,342**	15,008	**348,676**	271,785
Insurance	**12,872**	17,062	**703,171**	644,031
Provision for inventory obsolescence (Note 7)	**–**	–	**1,710,552**	579,209
Promotional materials, representation and entertainment	**–**	–	**183,022**	227,734
Postal and communication	**–**	–	**238,857**	258,522
Provision for doubtful accounts (Note 6)	**–**	–	**588,293**	171,824
Others	**2,941,206**	2,451,702	**836,038**	633,663
	$11,006,105	$9,545,034	**$6,948,345**	$5,847,940

“Others” include small tools and instruments, spare parts, brokerage charges, freight out, test material, service processing fees, scrap materials, office supplies, and copying expenses.

19. Interest Expense

This account consists of:

	2014	2013
Interest expense on loans (Notes 13 and 14)	**$1,219,337**	$1,230,892
Interest on finance lease and bank charges	**209,084**	308,164
	$1,428,421	$1,539,056

20. **Income Taxes**

Current Tax
Cooperatief
Taxation is calculated on the reported pre-tax result, at the prevailing tax rate of 25%, taking into account any losses carried forward from previous financial years (if applicable), tax-exempt items and nondeductible expenses, and using tax facilities

IMI BG
Income taxes are calculated in accordance with Bulgarian legislation, and the effect of the current and deferred taxes is reported. The current tax is calculated based on the taxable income for tax purposes. The nominal tax rate in 2014 and 2013 is 10%.

IMI CZ
Income tax due is calculated by multiplying the tax base by the rate as defined by the income tax law of the Czech Republic. The tax base comprises the book income from operations, which is increased or decreased by permanently or temporarily tax-decreasing costs and tax-deductible revenues (for example, creation and recording of other provisions and allowances, entertainment expenses, difference between book and tax depreciations). The applicable tax rate in 2014 and 2013 is 19%.

IMI MX
IMI MX is subject to Income Tax and the Business Flat Tax. These taxes are recorded in profit or loss in the year they are incurred. Income tax rate in 2014 and 2013 is 30%. Business Flat Tax is calculated on a cash flow basis whereby the tax base is determined by reducing taxable income with certain deductions and credits. The applicable Business Flat Tax rate is 17.5%.

Income tax incurred will be the higher of Income Tax and Business Flat Tax.

IMI France
Income tax is computed based on the income earned by the entity during the calendar year. Losses may be carried forward with no time limit. On certain conditions, losses may be carried back one (1) year. The tax rate applicable in 2014 and 2013 is 33% based on net profits.

Deferred Tax
Deferred taxes of the Group relates to the following:

	2014	2013
Deferred tax assets:		
Revaluation of property, plant and equipment of subsidiaries upon acquisition	**$838,832**	$444,245
Allowance for inventory obsolescence	**387,728**	75,134
Allowance for doubtful accounts	**274,191**	15,366
Others	**207,163**	109,798
	$1,707,914	$644,543
Deferred tax liabilities:		
Revaluation of property, plant and equipment and intangibles of subsidiaries upon acquisition	**$1,400,332**	$1,646,260
Accelerated depreciation	**–**	202,052
Others	**–**	1,111,057
	$1,400,332	$2,959,369

As of December 31, 2013, the temporary differences and tax losses for which no deferred tax assets have been recognized are as follows:

Tax losses	$3,175,932
Noncurrent assets	1,294,737
Provisions	421,053
Excess of cost over NRV of inventories	184,211
Allowance for doubtful accounts	31,579
	$5,107,512

Deferred tax assets are recognized only to the extent that sufficient future taxable profits will be available against which the deferred tax assets can be used.

As of December 31, 2014 and 2013, deferred tax liabilities have not been recognized on the undistributed earnings of subsidiaries since the timing of the reversal of the temporary difference can be controlled by the Group and management does not expect the reversal of the temporary differences in the foreseeable future.

The reconciliation of the statutory income tax rate to the effective income tax rate of the Group follows:

	2014	2013
Statutory income tax	**10.00%**	10.00%
Tax effects of:		
Nondeductible expenses	**4.12**	6.26
Difference in tax jurisdiction	**(0.01)**	(3.90)
Effective income tax rate	**14.21%**	12.36%

21. **Employee Benefits**

Salaries, wages, and employee benefits follow:

	2014	2013
Salaries and benefits	**$33,399,506**	$27,858,857
Retirement expense under defined contribution plans	**1,507,256**	1,249,236
Social security costs	**307,242**	249,163
Net retirement expense under defined benefit plans	**65,666**	74,832
Others	**1,688,390**	1,804,745
	$36,968,060	$31,236,833

Others include expenses for subcontracting costs, leave benefits, training and seminars, employee social and recreation, bonuses, health premium, employee insurance expenses, and other employee benefits.

Salaries, wages, and employee benefits are allocated as follows:

	2014	2013
Cost of goods sold and services (Note 16)	**$31,534,925**	$26,338,595
Operating expenses (Note 17)	**5,433,135**	4,898,238
	$36,968,060	$31,236,833

IMI BG has a defined benefit plan covering substantially all of its employees. The latest retirement valuation was made on December 31, 2014.

The tables below summarize the amount of IMI BG's retirement liability recognized in the consolidated balance sheets and components of retirement expense recognized in the consolidated statements of income as of and for the years ended December 31, 2014 and 2013:

Retirement Expense

	2014	2013
Current service cost	**$55,279**	$65,764
Net interest	**10,387**	9,068
	$65,666	$74,832

Retirement Liability

	2014	2013
At January 1	**$383,969**	$284,703
Retirement expense	**65,666**	74,832
Separation and benefits paid	**(41,654)**	–
Foreign currency exchange difference	**(14,376)**	24,434
At December 31	**$393,605**	$383,969

The average duration of the retirement liability at the end of the balance sheet date is 23.48 years and 22 years as of December 31, 2014 and 2013, respectively.

Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2014:

Less than one year	$46,165
More than one year to five years	146,453
More than five years to twenty years	11,162,101
	$11,354,719

Principal Actuarial Assumptions
The principal actuarial assumptions used to determine retirement benefits are shown below:

	2014	2013
Discount rate	**3.00%**	3.50%
Salary increase rate	**5.00%**	5.00%
Turnover rate	**5.00%**	0.62%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the retirement liability as of the end of the balance sheet date, assuming all other assumptions were held constant:

	Increase/	Effect on Retirement Liability	
Actuarial Assumption	Decrease in Actuarial Assumption	**2014**	2013
Discount rate	+1%	**($22,607)**	($23,280)
	-1%	**24,663**	25,400
Turnover rate	+2%	**(45,900)**	(47,270)
	-2%	**43,845**	45,150
Salary increase rate	+1%	**17,127**	17,640
	-1%	**(17,127)**	(17,640)

The retirement expense of the Group is included under "Salaries, wages, and employee benefits" account.

22. Employee Stock Ownership Plan (ESOWN)

IMI has an ESOWN plan, which allows the grantees to purchase IMI's share at a discounted price.

The allocation of cost of share-based payments by IMI to the Group in 2014 amounted to $0.02 million.

23. Lease Commitments

IMI BG

IMI BG has various finance lease contracts with Interlease AD and UniCredit Leasing AD related to its machinery and production equipment with terms of three to five years and final repayment dates between 2014 and 2018. These leases are subject to interest rates of 3-month EURIBOR plus 2% to 4% per annum.

IMI CZ

IMI CZ has various finance lease contracts related to its machinery and production equipment and transportation equipment with terms of five to ten years and final repayment dates between 2013 and 2016. The leases of machinery and equipment are subject to interest rates ranging from 5.90% to 7.41% per annum. The lease of transportation equipment is subject to interest of 12.26% per annum.

Future minimum lease payments are as follows:

	Minimum Lease Payments		Present Value of Payments	
	2014	2013	**2014**	2013
Within one year (Note 12)	**$952,626**	$1,018,901	**$857,552**	$894,341
More than one year but less than five years	**2,367,757**	3,157,187	**2,257,583**	2,977,968
	$3,320,383	$4,176,088	**$3,115,135**	$3,872,309

Additional finance lease commitment of the Group amounted to $0.50 million and $3.09 million for 2014 and 2013, respectively (see Note 28).

24. Related Party Transactions

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

Terms and Conditions of Transactions with Related Parties

Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the years ended December 31, 2014 and 2013, the Group has not recorded any impairment on receivables relating to amounts owed by related parties. Impairment assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.

In the ordinary course of business, the Group transacts with its related parties. The transactions and balances of accounts with related parties follow:

a. Outstanding balances of related party transactions follow:

	Receivables		Payables	
	2014	2013	**2014**	2013
STEL	**$7,347**	$72,265	**$–**	$–
Monarch	**1,466**	1,466	**28,520,645**	28,520,645
IMI Singapore:				
Nontrade	**15**	15	**288,088**	288,088
Interest	**–**	–	**52,114**	70,284
Loans	**–**	–	**13,500,000**	3,500,000
IMI	**–**	–	**14,649,307**	14,674,055
	$8,828	$73,746	**$57,010,154**	$47,053,072

i. Receivables from STEL are trade in nature, unsecured, noninterest-bearing, repayable on demand and to be settled in cash.

ii. Receivables from Monarch and IMI Singapore are nontrade in nature and pertain to the members' contribution amounting to €1,000 ($1,481) based on the agreed allocation of 99.00% and 1.00%, respectively.

iii. Nontrade payables to Monarch and IMI Singapore, presented as "Due to related parties" in the consolidated balance sheets, are nontrade in nature and relate to the acquisition of IMI EU/MX Subsidiaries. Management intends to convert these payables into equity in the future.

iv. Payables to IMI and IMI Singapore include nontrade transactions and operating cash advances. Nontrade transactions are unsecured, noninterest-bearing, repayable on demand and to be settled in cash. Cash advances of IMI to IMI MX and IMI CZ have a 90-day term subject to interest rates ranging from 2.79% to 2.81%. Intercompany loans from IMI Singapore bear interest rates ranging from 2.79% to 3.08% with terms ranging from 90 to 360 days.

Payables to IMI and IMI Singapore are summarized as follows:

	2014	2013
Loans payable (Note 13)	**$26,810,423**	$17,166,084
Due to related parties (Note 12)	**1,423,024**	937,687
Accrued interest payable (Note 12)	**52,114**	70,284
	$28,285,561	$18,174,055

b. Revenues and expenses from related parties follow:

	Revenues		Expenses	
	2014	2013	**2014**	2013
STEL	**$207,537**	$667,398	**$189,456**	$–
IMI	**–**	–	**463,608**	326,379
	$207,537	$667,398	**$653,064**	$326,379

Details of revenue and expenses follow:
i. Intercompany revenues of STEL from IMI BG.
ii. Interest expense from IMI's intercompany advances to IMI EU/MX Subsidiaries.

Compensation of Key Management Personnel of the Group
Key management personnel of the Group include all management committee members. Short-term employee benefits of key management personnel amounted to $1.56 million and $1.49 million in 2014 and 2013, respectively.

25. Fair Values of Financial Instruments

Below are the fair values of financial liabilities where the carrying amounts do not approximate fair values as at December 31, 2014 and 2013:

	Carrying Amounts		Fair Values	
	2014	2013	**2014**	2013
Noncurrent portion of:				
Long-term debt	**$11,207,250**	$14,801,253	**$13,215,106**	$15,013,867
Obligation under finance lease	**2,257,584**	2,977,968	**2,258,681**	2,973,854
	$13,464,834	$17,779,221	**$15,473,787**	$17,987,721

The following methods and assumptions were used to estimate the fair value:

Noncurrent portion of long-term debt - The fair value of long-term debt is estimated by using the discounted cash flow methodology using the current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued. The discount rates used ranged from 0.25% to 2.87% in 2014 and 3.10% in 2013.

Noncurrent portion of obligation under finance lease - The fair values are based on the discounted value of future cash flows using the applicable rates for similar types of instruments. The discount rates used range from 3.18% to 12.26% and 2.29% to 12.30% in 2014 and 2013, respectively.

Fair Value Hierarchy
The following table provides the fair value hierarchy of the inputs to the valuation of the financial liabilities:

		December 31, 2014		
		Fair Value Measurement Using		
	Total	**Quoted Prices in Active Markets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Noncurrent portion of:				
Long-term debt	**$13,215,106**	**$–**	**$–**	**$13,215,106**
Obligation under finance lease	**2,258,681**	**–**	**–**	**2,258,681**
	$15,473,787	**$–**	**$–**	**$15,473,787**

	December 31, 2013			
	Fair Value Measurement Using			
	Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Noncurrent portion of:				
Long-term debt	$15,013,867	$–	$–	$15,013,867
Obligation under finance lease	2,973,854	–	–	2,973,854
	$17,987,721	$–	$–	$17,987,721

There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Financial Assets and Financial Liabilities where the Carrying Amounts Approximate Fair Values
Below are the financial assets and financial liabilities where the carrying amounts approximate fair values as of December 31, 2014 and 2013 due to the short-term nature of the instruments:

	2014	2013
Financial assets:		
Cash	**$12,289,465**	$6,486,321
Receivables - net:		
Trade	**54,262,629**	49,691,222
Nontrade	**1,483,971**	1,123,920
Due from related parties	**8,828**	73,746
Others	**104,880**	121,806
	$68,149,773	$57,497,015
Financial liabilities:		
Accounts payable and accrued expenses:		
Trade payables	**$31,679,212**	$28,801,765
Accrued expenses	**1,834,616**	1,273,234
Current portion of obligation under finance lease	**857,552**	894,341
Accrued interest payable	**163,752**	222,304
Due to related parties	**1,423,024**	937,687
Others	**231,323**	189,133
Loans payable	**26,810,423**	25,896,190
	$62,999,902	$58,214,654

26. **Financial Risk Management Objectives and Policies**

The Group's principal financial instruments, composed of loans payable and long-term debt, were issued primarily to raise financing for the Group's operations. The Group has various financial instruments such as cash, receivables and accounts payable and accrued expenses which arise directly from its operations.

The main purpose of the Group's financial instruments is to fund its operational and capital expenditures. The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, credit risk and foreign currency risk.

The Group's risk management policies are summarized below:

Interest Rate Risk
The Group's exposure to market risk for changes in interest rates relates primarily to its debt obligations with floating interest rates. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's income before income tax (through the impact on floating rate borrowings) as of December 31, 2014 and 2013.

	Effect on Income before Tax	
Increase/Decrease in Basis Points	**2014**	2013
+100	**($283,753)**	($95,425)
-100	**283,753**	95,425

There is no other impact on the Group's equity other than those already affecting income.

Liquidity Risk
Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Group's exposure to liquidity risk relates primarily to its short and long-term obligations. The Group seeks to manage its liquidity profile to be able to finance its capital expenditures and operations. The Group maintains a level of cash deemed sufficient to finance its operations. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. To cover financing requirements, the Group intends to use internally-generated funds and loan facilities with local and foreign banks. Surplus funds are placed with reputable banks.

The table below summarizes the maturity profile of the Group's financial assets held for liquidity purposes and financial liabilities based on contractual undiscounted payments:

2014

	On Demand	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Total**
Financial assets:					
Cash	**$12,289,465**	**$–**	**$–**	**$–**	**$12,289,465**
Financial liabilities:					
Accounts payable and accrued expenses:					
Trade payables	**–**	**31,679,212**	**–**	**–**	**31,679,212**
Accrued expenses *	**–**	**1,834,616**	**–**	**–**	**1,834,616**
Due to related parties	**–**	**1,423,024**	**–**	**–**	**1,423,024**
Accrued interest payable	**–**	**163,752**	**–**	**–**	**163,752**
Current portion of obligation under finance lease	**–**	**–**	**857,552**	**–**	**857,552**
Others	**–**	**231,323**	**–**	**–**	**231,323**
Current portion of long-term debt	**–**	**2,800,640**	**–**	**–**	**2,800,640**
Loans payable	**–**	**–**	**27,431,391**	**–**	**27,431,391**
Long-term debt	**–**	**–**	**–**	**11,645,655**	**11,645,655**
Noncurrent portion of obligation under finance lease	**–**	**–**	**–**	**2,257,584**	**2,257,584**
	–	**38,132,567**	**28,288,943**	**13,903,239**	**80,324,749**
	$12,289,465	**($38,132,567)**	**($28,288,943)**	**($13,903,239)**	**($68,035,284)**

**Excluding statutory payables*

2013

	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Total
Financial assets:					
Cash	$6,486,321	$–	$–	$–	$6,486,321
Financial liabilities:					
Accounts payable and accrued expenses:					
Trade payables	–	28,801,765	–	–	28,801,765
Accrued expenses *	–	1,273,234	–	–	1,273,234
Due to related parties	–	937,687	–	–	937,687
Accrued interest payable	–	222,304	–	–	222,304
Current portion of obligation under finance lease	–	–	894,341	–	894,341
Others	–	189,133	–	–	189,133
Current portion of long-term debt	–	2,903,408	–	–	2,903,408
Loans payable	–	–	26,517,158	–	26,517,158
Long-term debt	–	–	–	15,239,657	15,239,657
Noncurrent portion of obligation under finance lease	–	–	–	2,977,968	2,977,968
	–	34,327,531	27,411,499	18,217,625	79,956,655
	$6,486,321	($34,327,531)	($27,411,499)	($18,217,625)	($73,470,334)

**Excluding statutory payables*

Credit lines
The Group has credit lines with different financing institutions as at December 31, 2014 and 2013, as follows:

2014

Financial Institutions	**Credit Limit**	**Available Credit Line**
Local:		
EUR	**10,880,000**	**7,115,468**

2013

Financial Institutions	Credit Limit	Available Credit Line
Local:		
EUR	12,750,000	8,005,364
Foreign:		
USD	2,175,000	–

Credit Risk
Credit risk is the risk that the Group's counterparties to its financial assets will fail to discharge their contractual obligations. The Group's major credit risk exposure relates primarily to its holdings of cash and receivables from customers and other third parties. Credit risk management involves dealing with institutions for which credit limits have been established. The treasury policy sets credit limits for each counterparty. The Group trades only with recognized, creditworthy third parties. The Group has a well-defined credit policy and established credit procedures. The Group extends credit to its customers consistent with sound credit practices and industry standards. The Group deals only with reputable, competent and reliable customers who pass the Group's credit standards. The credit evaluation reflects the customer's overall credit strength based on key financial and credit characteristics such as financial stability, operations, focus market and trade references. All customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group's maximum exposure to credit risk as of December 31, 2014 and 2013 is the carrying amounts of the financial assets presented in Note 25. The Group's maximum exposure for cash excludes the carrying amount of cash on hand.

The Group has 63% of trade receivables relating to three major customers as of December 31, 2014 and 2013.

As of December 31, 2014 and 2013, the aging analysis of receivables follows:

2014

			Past Due but not Impaired					
	Total	**Neither Past Due nor Impaired**	**<30 Days**	**30-60 Days**	**60-90 Days**	**90-120 Days**	**>120 Days**	**Specifically Impaired**
Trade	**$54,933,350**	**$46,074,110**	**$6,243,649**	**$723,089**	**$294,680**	**$290,031**	**$637,070**	**$670,721**
Nontrade	**1,483,971**	**1,483,971**	**–**	**–**	**–**	**–**	**–**	**–**
Due from related parties	**8,828**	**8,828**	**–**	**–**	**–**	**–**	**–**	**–**
Others	**104,880**	**104,880**	**–**	**–**	**–**	**–**	**–**	**–**
	$56,531,029	**$47,671,789**	**$6,243,649**	**$723,089**	**$294,680**	**$290,031**	**$637,070**	**$670,721**

2013

			Past Due but not Impaired					
	Total	Neither Past Due nor Impaired	<30 Days	30-60 Days	60-90 Days	90-120 Days	>120 Days	Specifically Impaired
Trade	$49,933,766	$43,684,192	$4,282,269	$796,241	$367,644	$560,876	$–	$242,544
Nontrade	1,123,920	1,123,920	–	–	–	–	–	–
Due from related parties	73,746	73,746	–	–	–	–	–	–
Others	121,806	121,806	–	–	–	–	–	–
	$51,253,238	$45,003,664	$4,282,269	$796,241	$367,644	$560,876	$–	$242,544

The following table summarizes the credit quality of the Group's financial assets as of December 31, 2014 and 2013:

2014

	Neither Past Due nor Impaired					
	Minimal Risk	**Average Risk**	**Fairly High Risk**	**High Risk**	**Past Due or Individually Impaired**	**Total**
Cash in banks	**$12,272,194**	**$–**	**$–**	**$–**	**$–**	**$12,272,194**
Receivables:						
Trade	**46,074,110**	**–**	**–**	**–**	**8,859,240**	**54,933,350**
Nontrade	**1,483,971**	**–**	**–**	**–**	**–**	**1,483,971**
Due from related parties	**8,828**	**–**	**–**	**–**	**–**	**8,828**
Others	**104,880**	**–**	**–**	**–**	**–**	**104,880**
	$59,943,983	**$–**	**$–**	**$–**	**$8,859,240**	**$68,803,223**

2013

	Neither Past Due nor Impaired					
	Minimal Risk	Average Risk	Fairly High Risk	High Risk	Past Due or Individually Impaired	Total
Cash in banks	$6,467,179	$–	$–	$–	$–	$6,467,179
Receivables:						
Trade	43,684,192	–	–	–	6,249,574	49,933,766
Nontrade	1,123,920	–	–	–	–	1,123,920
Due from related parties	73,746	–	–	–	–	73,746
Others	121,806	–	–	–	–	121,806
	$51,470,843	$–	$–	$–	$6,249,574	$57,720,417

The Group classifies credit quality as follows:

Minimal Risk - Credit can proceed with favorable credit terms; can offer term of 15 to maximum of 45 days.

Average Risk - Credit can proceed normally; can extend term of 15 to maximum of 30 days.

Fairly High Risk - Credit could be extended under a confirmed and irrevocable Letters of Credit (LC) and subject to semi-annual review for possible upgrade.

High Risk - Transaction should be under advance payment or confirmed and irrevocable Stand-By LC; subject to quarterly review for possible upgrade after one year.

Foreign Currency Risk
Foreign currency risk arises when future commercial transactions and recognized financial assets and financial liabilities are denominated in a currency that is not the Group's functional currency. As there is no material exposure to foreign currency risk within the financial assets and financial liabilities outside of each operating site's functional currency, no sensitivity analysis has been prepared.

Capital Management
The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business.

No changes were made in the objectives, policies and processes during the years ended December 31, 2014 and 2013.

The Group is not subject to externally imposed capital requirements.

The Group monitors capital using a gearing ratio of debt to equity and net debt to equity. The Group considers bank borrowings in the determination of debt, which consist of loans payable and long-term debt. Net debt is equivalent to the total bank borrowings less cash.

	2014	2013
Loans payable	**$26,810,423**	$25,896,190
Long-term debt	**1,564,891**	812,419
	28,375,314	26,708,609
Less cash	**12,289,465**	6,486,321
Net debt	**$16,085,849**	$20,222,288
Equity attributable to equity holders of the Parent Company	**$49,540,302**	$37,148,849
Debt to equity ratio	**0.57**	0.72
Net debt to equity ratio	**0.32**	0.54

27. **Contingencies**

The Group has various contingent liabilities arising in the ordinary conduct of business which are either pending decision by the courts or being contested. The outcome of these cases is not presently determinable.

In the opinion of management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Group's financial position and results of operations. The information usually required by PAS 37, *Provisions, Contingent*

Liabilities and Contingent Assets, is not disclosed on the grounds that it can be expected to prejudice the outcome of these lawsuits, claims and assessments.

28. **Notes to Consolidated Statements of Cash Flows**

The Group's noncash investing activities includes capitalization by the Group of production equipment under finance lease amounting to $0.50 million and $3.09 million in 2014 and 2013, respectively (see Note 23).

EXHIBIT 6

2014 ANNUAL CORPORATE GOVERNANCE REPORT

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

GENERAL INSTRUCTIONS

(A) Use of Form ACGR

This SEC Form shall be used to meet the requirements of the Revised Code of Corporate Governance.

(B) Preparation of Report

These general instructions are not to be filed with the report. The instructions to the various captions of the form shall not be omitted from the report as filed. The report shall contain the numbers and captions of all items. If any item is inapplicable or the answer thereto is in the *negative*, an appropriate statement to that effect shall be made. Provide an explanation on why the item does not apply to the company or on how the company's practice differs from the Code.

(C) Signature and Filing of the Report

A. Three (3) complete set of the report shall be filed with the Main Office of the Commission.

B. At least one complete copy of the report filed with the Commission shall be **manually** signed.

C. All reports shall comply with the full disclosure requirements of the Securities Regulation Code.

D. This report is required to be filed annually together with the company's annual report.

(D) Filing an Amendment

Any material change in the facts set forth in the report occurring within the year shall be reported through SEC Form 17-C. The cover page for the SEC Form 17-C shall indicate "Amendment to the ACGR".

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is filed for the year ended: **December 31, 2014**

2. Exact Name of Registrant as Specified in its Charter: **INTEGRATED MICRO-ELECTRONICS, INC.**

3. Address of principal office: **North Science Avenue, Laguna Technopark-Special Economic Zone (LT-SEZ), Bo. Biñan, Laguna**
   Postal Code: **4024**

4. SEC Identification Number: **94419**

5. Industry Classification Code: (SEC Use Only)

6. BIR Tax Identification Number: **000-409-747-000**

7. Issuer's Telephone number, including area code: **(632) 756-6840**

8. Former name or former address, if changed from the last report: **Not Applicable**

TABLE OF CONTENTS

A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation	11

Actual number of Directors for the year	11

(a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID)[1]	Elected when (Annual /Special Meeting)	No. of years served as director
Jaime Augusto Zobel de Ayala	NED			January 1995	April 6 2015	AGM	20
Fernando Zobel de Ayala	NED			January 1995	April 6 2015	AGM	20
Delfin L. Lazaro	NED			May 2000	April 6 2015	AGM	15
Arthur R. Tan	ED			July 2001	April 6 2015	AGM	14
Jose Ignacio A. Carlos	NED			December 2006	April 6 2015	AGM	9
Rafael Ma. C. Romualdez	NED			May 1997	April 6 2015	AGM	19
Delfin C. Gonzalez, Jr.	NED			July 2010	April 6 2015	AGM	5
John Eric T. Francia	NED			July 2010	April 6 2015	AGM	5
Hiroshi Nishimura	ID			April 2010	5 yrs.	AGM	5
Edgar O. Chua	ID			April 2014	1 yr.	AGM	1
Alelie T. Funcell	ID			April 2010	5 yrs.	AGM	5

Ms. Luzviminda R. Enriquez, a shareholder of the Company, formally nominated all the 11 candidates. Ms. Enriquez is not related to any of the nominees including the nominees for independent directors.

(b) Corporate Governance Policies

Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

IMI is dedicated to transparency with regard to our priorities, goals, initiatives, and performance relating to our global business. These efforts represent a continuing investment in our future that enhances stockholder value by making our business more sustainable from an economic, environmental, and social perspective.

IMI's eleven-person Board of Directors primarily represents the shareholders to whom it is accountable for creating and delivering value. Stockholders elect the directors annually. IMI has three independent directors each of whom has no interest or relationship with the company that may hinder his or her independence from the company, which could interfere in the exercise of impartial judgment in carrying out the director's responsibilities.

Board meetings are scheduled at the beginning of the year and held at least quarterly, or as often as necessary, for the board to fulfill its role. The board has six meetings for the year 2014.

Five committees support the board in the performance of specific functions and to aid in good governance: Executive, Compensation, Audit, Finance and Nomination.

[1] Reckoned from the election immediately following January 2, 2012.

(c) Review and Approval of Vision and Mission

How often does the Board review and approve the vision and mission?

To ensure good governance of the Corporation, the Board formulates the Corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.

The review of corporate vision and mission is conducted every 2 years during the conglomerate-wide management committee planning meeting.

(d) Directorship in Other Companies

(i) Directorship in the Company's Group[2]

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group:

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Arthur R. Tan	*PSi Technologies Inc.*	*Executive Director*
	Speedy-Tech Electronics Ltd.	*Executive Director*
	IMI International (Singapore) Pte Ltd.	*Executive Director*
Rafael Ma. C. Romualdez	*PSi Technologies Inc.*	*Executive Director*

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Jaime Augusto Zobel de Ayala	*Ayala Corporation*	*Chairman, Executive*
	Bank of the Philippine Islands	*Chairman, Non-Executive*
	Globe Telecom, Inc.	*Chairman, Non-Executive*
	Ayala Land Inc.	*Vice Chairman, Non-Executive*
	Manila Water Company, Inc.	*Vice Chairman, Non-Executive*
	Mermac, Inc.	*Co-Vice Chairman, Non-Executive*
	Alabang Commercial Corporation	*Non-Executive*
	Ayala International PTE. Ltd.	*Non-Executive*
	AC Energy Holdings, Inc.	*Non-Executive*
Fernando Zobel de Ayala	*Ayala Corporation*	*Executive*
	Manila Water Company, Inc.	*Chairman, Non-Executive*
	Ayala Land Inc.	*Chairman, Non-Executive*
	Ayala DBS Holdings, Inc.	*Chairman, Non-Executive*
	Alabang Commercial Corporation	*Chairman, Non-Executive*
	AC Energy Holdings, Inc.	*Chairman, Non-Executive*
	AC Finance International Limited	*Chairman, Non-Executive*
	Ayala International PTE. Ltd.	*Chairman, Non-Executive*
	Bank of the Philippine Islands	*Vice Chairman, Non-Executive*
	Livelt Investment, Ltd.	*Vice Chairman, Non-Executive*
	Mermac, Inc.	*Co-Vice Chairman, Non-Executive*

[2] The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

	Globe Telecom, Inc.	*Non-Executive*
	Asiacom Philippines, Inc.	*Non-Executive*
	AG Holdings Limited	*Non-Executive*
	Ayala International Holdings Ltd.	*Non-Executive*
	AI North America, Inc.	*Non-Executive*
John Eric T. Francia	*Manila Water Company, Inc.*	*Non-Executive*
Delfin L. Lazaro	*Ayala Corporation*	*Non-Executive*
	Philwater Holdings Company, Inc.	*Chairman, Non-Executive*
	AYC Holdings Ltd.	*Chairman, Non-Executive*
	Purefoods International, Ltd.	*Chairman, Non-Executive*
	A.C.S.T. Business Holdings Inc.	*Chairman, Non-Executive*
	Globe Telecom, Inc.	*Non-Executive*
	Ayala Land, Inc.	*Non-Executive*
	Manila Water Company, Inc.	*Non-Executive*
	Ayala DBS Holdings, Inc.	*Non-Executive*
	AC Energy Holdings, Inc.	*Non-Executive*
	Ayala International Holdings Ltd.	*Non-Executive*
	Bestfull Holdings Limited	*Non-Executive*
	AG Holdings	*Non-Executive*
	AI North America, Inc.	*Non-Executive*
Edgar O. Chua	*Energy Development Corporation*	*Non-Executive*

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	**Name of the Significant Shareholder**	**Description of the relationship**
Jaime Augusto Zobel De Ayala	*Ayala Corporation*	*Chairman, Ayala Corporation*
Fernando Zobel De Ayala	*Ayala Corporation*	*Vice-Chairman, President and COO, Ayala Corporation*
	Asiacom Philippines, Inc.	*Director, Asiacom Philippines, Inc.*
Delfin E. Gonzalez, Jr.	*Ayala Corporation*	*CFO, Ayala Corporation*
	AYC Holdings, Ltd.	*Director, AYC Holdings, Ltd.*
Delfin L. Lazaro	*Ayala Corporation*	*Director, Ayala Corporation*
Rafael Ma. C. Romualdez	*Resins, Inc.*	*Director, Resins Inc.*
Jose Ignacio A. Carlos	*Resins, Inc.*	*Director, Resins Inc.*

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

<table>
<tr><th></th><th>Guidelines</th><th>Maximum Number of Directorships in other companies</th></tr>
<tr><td>Executive Director</td><td colspan="2" rowspan="3">A director shall exercise due discretion in accepting and holding directorships outside of Integrated Micro-Electronics, Inc. A director may hold any number of directorships outside of Integrated Micro-Electronics, Inc. provided that, in the director's opinion, these other positions do not detract from the director's capacity to diligently perform his duties as a director of the Corporation.</td></tr>
<tr><td>Non-Executive Director</td></tr>
<tr><td>CEO</td></tr>
</table>

(e) Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company:

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Jaime Augusto Zobel de Ayala	100	0	.0000
Fernando Zobel de Ayala	100	0	.0000
Delfin L. Lazaro	100	0	.0000
Arthur R. Tan	1,955,452	18,168,100	.6374
Rafael Ma. C. Romualdez	115	0	.0000
Jose Ignacio A. Carlos	115	0	.0000
Edgar O. Chua	100	0	.0000
Delfin C. Gonzalez Jr.	100	0	.0000
Hiroshi Nishimura	115	600,000	.0190
Alelie T. Funcell	115	0	.0000
John Eric T. Francia	100	0	.0000
TOTAL	**1,956,512**	**5,323,800**	**.6564**

2) Chairman and CEO

(a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes [X] No [ ]

Identify the Chair and CEO:

Chairman of the Board	*Jaime Augusto Zobel de Ayala*
CEO/President	*Arthur R. Tan*

(b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

	Chairman	Chief Executive Officer
Role	*Shall, when present, preside at all meetings of the Board and shall render advice and counsel to the President.* *Shall schedule meetings to enable the board to perform its duties responsibly while not interfering with the flow of the Corporation's operations;* *Prepare the meeting's agenda in consultation with the CEO;* *Exercise control over quality, quantity and timeliness of the flow of information between Management and the Board; and* *Assist in ensuring compliance with the*	*The President/CEO shall have general supervision of the business, affairs, and property of the Corporation, and over its employees and officers;*

	Corporation's guidelines on Corporate Governance.	
Accountabilities	*The Chairman, as member of the Board of Directors, is primarily accountable to the stockholders.*	*The CEO sees to it that all orders and resolutions of the Board of Directors are carried into effect.*
Deliverables	*The Chairman shall have other responsibilities as the Board of Directors may impose upon him*	*The CEO shall submit to the Board as soon as possible after the close of each fiscal year, and to the stockholders at the annual meeting, a complete report of the operations of the Corporation for the preceding year, and the state of its affairs;* *Shall report to the Board from time to time all matters within his knowledge which the interest of the Corporation may require to be brought to its notice.* *The President/ CEO shall have such other responsibilities as the Board of Directors may impose upon him.*

3) Plan for Succession of CEO/ Managing Director/ President and Top Key Positions

Explain how the board of directors' plan for the succession of the CEO/Managing Director/President and the top key management positions?

The Executive Committee and the Group Head of Human Resources managed a Conglomerate-wide pool of key talents, classified based on specific criteria. The designated positions to be assumed, readiness, interventions needed in terms of training and development and exposures are some of the factors under consideration. The group meets regularly.

4) Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.

The Board of Directors has eleven (11) members who are elected by the Corporation's stockholders entitled to vote at the annual meeting. They hold office for one (1) year and until their successors are elected and qualified in accordance with the By-Laws of the Corporation.

The Corporation has Independent Directors constituting 20% of the members of the Board, but in no case lower than two (2). The Independent Directors are identified in the annual report.

The membership of the Board may be a combination of executive and non-executive directors, which includes independent directors, in order that no director or small group of directors can dominate the decision-making process.

The Non-executive Directors should possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

A director of IMI shall have the following qualifications:

a) Ownership of at least one (1) share of the capital stock of the Corporation;
b) A college degree or its equivalent or adequate competence and understanding of the fundamentals of doing business or sufficient experience and competence in managing a business to substitute for such formal education;
c) Relevant qualification, such as previous business experience, membership in good standing in a relevant industry, and membership in business or professional organizations, and
d) Possesses integrity, probity and shall be diligent and assiduous in the performance of his functions.
e) Conviction that has not yet become final referred to in the grounds for disqualification of directors.

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

<table>
<tr><th></th><th>Executive</th><th>Non-Executive</th><th>Independent Director</th></tr>
<tr><td>Role</td><td colspan="3">Foster the long-term success of the Corporation and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stakeholders;

Formulate the corporation’s vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management’s performance;

Orient all its activities towards three general guidelines:
a. All actions taken by the Board are subject to the principle of legal permissibility. The Board must, therefore, not infringe on the appropriate provisions of Philippine law and the Corporation’s constitutive documents;
b. All actions taken by the Board are subject to the principle of economic usefulness. The Board should, accordingly, contribute to increasing the value of the Corporation in a sustainable manner;
c. The Board should, when carrying out its duties, be aware of its duty as the governing body of a publicly listed Corporation.
Ensure the presence and adequacy of Internal Control mechanisms for good governance.</td></tr>
<tr><td>Accountabilities</td><td colspan="3">The Board is primarily accountable to the stockholders. It should provide them with a balanced and comprehensible assessment of the corporation’s performance, position and prospects on a quarterly basis, including, interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law.</td></tr>
<tr><td>Deliverables</td><td colspan="3">Properly discharge Board functions by meeting regularly;
Constitute an Audit Committee and such other committee as are required in the By-Laws of the Corporation;

Constitute an Audit Committee and such other committees as are required in the By-Laws of the Corporation;

Select and appoint a President, CEO and other senior officers with appropriate level of motivation, integrity, competence and professionalism;

Adopt a professional development program for employees and officers, and succession planning for senior management and key positions in the Corporation;

Provide sound written policies and strategic guidelines on key capital expenditures, and periodically evaluate and monitor implementation of such policies and strategies including business plans, operating budgets and management’s overall performance. Establish programs that can sustain the</td></tr>
</table>

	Corporation's long-term viability and strength; *Ensure the Corporation's faithful compliance with all relevant laws, regulations, and as far as possible, best practices;* *Formulate a clear communication and disclosure strategy to promptly and regularly communicate with the Commission, the PSE and the Corporation's stockholders on matters of importance by establishing and maintaining an investor relations program;* *Adopt a system of internal checks and balances, which may be applied in the first instance to the Board. Such system shall be regularly reviewed and updated for effectiveness;* *Identify and monitor, and endeavor to provide appropriate technology and systems for the identification and monitoring of key risks and key performance areas;* *Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the Corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and that of interlocking director relationships by members of the Board;* *Create an internal self-rating system that can measure the performance of the Board and Management;* *Cause the Corporation to participate in the Corporate Governance (CG) Survey using the CG Scorecard as an instrument;* *The Board is primarily responsible to the stockholders for financial reporting and control;* *Recommend to the stockholders the appointment of external auditors, in accordance with the recommendation of the Audit Committee;* *Create a procedure for directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, at the Corporation's expense, which expense shall be reasonable;* *Identify the sectors in the community in which the Corporation operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them;* *Keep the activities and decisions of the Board within its authority under the Articles of Incorporation and By-Laws of the Corporation, and in accordance with existing laws, rules and regulations;* *Appoint a Compliance Officer who shall hold a position of a Managing Director/Vice-President or its equivalent. In the absence of such appointment, the Corporate Secretary shall act as Compliance Officer.*

Provide the company's definition of "independence" and describe the company's compliance to the definition.

Independent Directors hold no interests or relationships with the Corporation that may hinder their independence from the Corporation or Management and interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

The present independent directors held positions in various organizations that are not related to the company.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

The Company subscribes to the SEC regulation on term limit for independent directors (ID) which provides that IDs can serve for 5 consecutive years. After completion of the five-year service period, the ID has to undergo a two-year cooling period prior to eligibility for re-election for another 5 years. An ID which has served for 10 years will be perpetually barred from being elected in the same company.

5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

<table>
<tr><th>Name</th><th>Position</th><th>Date of Cessation</th><th>Reason</th></tr>
<tr><td colspan="4">To date, no director has resigned from, or declined to stand for re-election to the Board since the date of the 2014 annual meeting of stockholders due to any disagreement with the Company relative to the Company's operations, policies and practices.</td></tr>
</table>

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

<table>
<tr><th>Procedure</th><th>Process Adopted</th><th>Criteria</th></tr>
<tr><td>a. Selection/Appointment</td><td colspan="2" rowspan="17">No person shall be elected nor be competent to hold the office of Director unless at least one (1) share of stock of the Corporation shall stand in his name in the books of the corporation at the time of his election.

No person shall qualify or be eligible for nomination or election to the Board of Directors if he is engaged in any business which competes with or is antagonistic to that of the Corporation. Without limiting the generality of the foregoing, a person shall be deemed to be so engaged.

a) If he is an officer, manager, or controlling person of, or the owner (either or record or beneficially) of 10% or more of any outstanding class of shares of, any corporation (other than one in which the Corporation owns at least 30% of the capital stock) engaged in a business which the Board, by at least three-fourths (3/4) vote, determines to be competitive or antagonistic to that of the Corporation, or
b) If he is an officer, manager, or controlling person of, of the owner (either or record or beneficially of 10% or more of any outstanding class of shares of, any other</td></tr>
<tr><td>(i) Executive Directors</td></tr>
<tr><td>(ii) Non-Executive Directors</td></tr>
<tr><td>(iii) Independent Directors</td></tr>
<tr><td>b. Re-appointment</td></tr>
<tr><td>(i) Executive Directors</td></tr>
<tr><td>(ii) Non-Executive Directors</td></tr>
<tr><td>(iii) Independent Directors</td></tr>
<tr><td>c. Permanent Disqualification</td></tr>
<tr><td>(i) Executive Directors</td></tr>
<tr><td>(ii) Non-Executive Directors</td></tr>
<tr><td>(iii) Independent Directors</td></tr>
<tr><td>d. Temporary Disqualification</td></tr>
<tr><td>(i) Executive Directors</td></tr>
<tr><td>(ii) Non-Executive Directors</td></tr>
<tr><td>(iii) Independent Directors</td></tr>
<tr><td>e. Removal</td></tr>
</table>

(i) Executive Directors	*corporation or entity engaged in any line of business of the Corporation, when in the judgment of the Board, by at least three-fourths (3/4) vote, the laws against combinations in restraint of trade shall be violated by such persons' membership in the Board of Directors; or* *c) If the Board, in the exercise of its judgment in good faith, determine by at least three-fourths (3/4) vote that he is the nominee of any person set forth in (a) and (b).* *In determining whether or not a person is a controlling person, beneficial owner, or the nominee of another, the Board may take into account such factors as business and family relations.* *For the proper implementation of this provision, all nomination for election of Directors by the stockholders shall be submitted in writing to the Board of Directors at least thirty (30) business days before the date of the regular meeting.* *In case any vacancy or vacancies should occur in the Board of Directors during the period between two annual meetings due to death, resignation or other causes, the remaining Directors, if still constituting a quorum, may fill said vacancies by election from among the stockholders, and the stockholders so elected shall act as members of said Board until the new Board of Directors is elected.*
(ii) Non-Executive Directors	
(iii) Independent Directors	
f. Re-instatement	
(i) Executive Directors	
(ii) Non-Executive Directors	
(iii) Independent Directors	
g. Suspension	
(i) Executive Directors	
(ii) Non-Executive Directors	
(iii) Independent Directors	

Voting Result of the last Annual General Meeting (**April 6, 2015**)

Name of Director	Votes Received (in favor)
Jaime Augusto Zobel de Ayala	*2,476,282,985 (99.86%)*
Fernando Zobel de Ayala	*2,476,233,000 (99.86%)*
Arthur R. Tan	*2,476,639,765 (99.88%)*
Edgar O. Chua (Independent Director)	*2,476,315,185 (99.86%)*
Jose Ignacio A. Carlos	*2,476,382,585 (99.86%)*
John Eric T. Francia	*2,476,315,185 (99.86%)*
Alelie T. Funcell (Independent Director)	*2,476,315,185 (99.86%)*
Delfin C. Gonzalez, Jr.	*2,476,226,585 (99.86%)*
Delfin L. Lazaro	*2,475,944,885 (99.85%)*
Hiroshima Nishimura (Independent Director)	*2,475,919,221 (99.85%)*
Rafael Ma. C. Romualdez	*2,476,198,385 (99.86%)*

6) Orientation and Education Program

(a) Disclose details of the company's orientation program for new directors, if any.

The company's directors participate in an orientation program in corporate governance in compliance with the requirement of the regulators for listed companies which is certified by the Institute of Corporate Directors in the country.

(b) State any in-house training and external courses attended by Directors and Senior Management[3] for the past three (3) years:
None.

[3] Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

(c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

Name of Director/Officer	Date of Training	Program	Name of Training Institution
Jaime Augusto Zobel de Ayala	*February 18, 2015*	*Ayala Group Corporate Governance and Risk Management Summit*	*Institute of Corporate Directors, Inc.*
Fernando Zobel de Ayala			
Arthur R. Tan			
John Eric T. Francia			
Delfin C. Gonzalez Jr.			
Delfin L. Lazaro			
Hiroshi Nishimura			
Edgar O. Chua			
Linardo Z. Lopez			
Anthony Raymond P. Rodriguez			
Solomon M. Hermosura			
Nimfa Ambrosia L. Perez-Paras			
Alelie T. Funcell	*Aug. 19, 2014*	*Distinguished Corporate Governance Speaker Series*	*The Institute of Corporate Directors*

B. CODE OF BUSINESS CONDUCT & ETHICS

1) Policies

Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	*The personal interest of directors and officers should never prevail over the interest of the Corporation. They are required to be loyal to the Corporation so much so that they may not directly or indirectly derive any personal profit or advantage by reason of their position in the Corporation. They must promote the common interest of all shareholders and the Corporation without regard to their own personal and selfish interests.*		*While employees are not prevented from engaging in personal transactions and investments, conduct that actually constitute a conflict of interest, as well as conduct that could be perceived as creating a conflict of interest with the Company's interest is strictly prohibited.*
(b) Conduct of Business and Fair Dealings	*Each employee, officer and director should endeavor to deal fairly with the Company's customers, suppliers, competitors, officers and employees. No one should take unfair advantage of anyone through bribery, manipulation, concealment, misrepresentation of material facts or any other unfair dealing practices.*		
(c) Receipt of gifts from third parties	*An employee may only keep a gift or accept an invitation if: a. it is directly attributable to purely familial or personal relationships; b. its values does not exceed reasonable limits of propriety; c. it is a simple promotional item or is part of the suppliers promotional program; d. it is part of business meetings or discussions. However, if the gift does not fall under any of the above-mentioned conditions, the Company encourages the employee to turn over the gift to the Human Resources*		

	Division for inclusion in the Company raffle in any of the employees' activities.	
(d) Compliance with Laws & Regulations	*The Company operates in full compliance with the laws, rules and regulations of the countries in which it operates and recognizes international standards in order to advance social and environmental responsibility.*	
(e) Respect for Trade Secrets/Use of Non-public Information	*Intellectual property rights are to be respected; transfer of technology and know-how is to be done in a manner that protects intellectual property rights which is embodied in the IMI Intellectual Property (IP) Protection Policy. This policy includes, but is not limited to, confidential information, customer-supplied documentation, information and communication technologies facilities, manufacturing-related IP and intellectual property (scientific, literary, and artistic discoveries, creations and inventions).*	
(f) Use of Company Funds, Assets and Information	*All employees, officers, and directors should protect the Company's assets and ensure their efficient use and to use these for legitimate business purposes. Theft, carelessness, and waste have direct impact on the Company's profitability.*	
(g) Employment & Labor Laws & Policies	*IMI is committed to uphold the human rights of employees and to treat them with dignity and respect. It also recognizes international standards (e.g. Universal Declaration of Human Rights (UDHR), Social Accountability International (SAI) and the Ethical Trading Initiative (ETI)) as references.*	
(h) Disciplinary action	*The Corporation's directors, officers, staff in case of violation of any of the provisions of its Corporate Governance Manual are imposed the following penalties:* *a. In case of first violation, the subject person is reprimanded;* *b. In case of second violation, suspension from office shall be imposed; and* *c. For third violation, removal from office.*	*The Company shall exercise its inherent rights to discipline or dismiss employees for any serious offense or infraction against the Company Rules and Regulation to maintain a productive, safe, and pleasant working environment*
(i) Whistle Blower	*The Company has a Whistle Blower Policy which* *1.1 Encourages an atmosphere that allows individuals to exercise their obligations to responsibly disclose violations* *of law and serious breaches of conduct and ethics covered by the Company's Code of Conduct;* *1.2 Protects individuals from retaliation or reprisals by adverse disciplinary or employment penalties as a result of* *having disclosed wrongful conduct, and;* *1.3 Provides a process to enable individuals who believe they have been subject to reprisal to seek relief from* *retaliatory acts that fall within the Company's Code of Conduct;* *1.4 Informs individuals how allegations of wrongful conduct may be disclosed.*	
(j) Conflict Resolution	*There is no known conflict with any party but in case any dispute arises, the Company's management will meet and discuss the issue and aim to reach a compromise. If otherwise, a final arbitration will be sought.*	

2) Dissemination of Code

Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

Yes.

3) Compliance with the Code

Discuss how the company implements and monitors compliance with the code of ethics or conduct.

Annually, all supervisors, engineers and managers are required to sign a declaration of compliance to the Code of Conduct.

IMI has a management system designed to ensure (a) compliance with applicable laws, regulations and customer requirements related to the IMI's operations and products; (b) conformance with its Code of Ethics, and (c) identification and mitigation of operational risks related to the its Code of Ethics. The Company also does continual improvement activities in the way it conduct its business.

4) Related Party Transactions

(a) Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

<table>
<tr><th>Related Party Transactions</th><th>Policies and Procedures</th></tr>
<tr><td>(1) Parent Company</td><td rowspan="8">Material/significant Related Party Transactions (RPTs) are those transactions that meet the threshold values approved by the Audit and Risk Committee (the "Committee") to be potentially or actually significant to the Company and other requirements as may be determined by the Committee upon the recommendation of Chief Risk Officer.

Material RPTs shall be reviewed by the Committee and endorsed to the Board of Directors for approval.

The Board shall approve a material RPT before its commencement. If not identified beforehand, the material RPT must be subsequently reviewed by the Committee and ratified by the Board of Directors or the same may be discontinued, rescinded or modified to make it acceptable for ratification.

Any member of the Committee who has an interest in the RPT under review shall be prohibited from participating in the discussion and from voting thereon. However, the presence of such member may be counted in determining the presence of a quorum at the meeting of the Committee.

The Chief Risk Officer and the Committee shall perform periodic post verification of RPTs to ensure that the terms and conditions recommended by the Committee and approved by the Board of Directors are properly and correctly implemented.

The Chief Risk Officer shall (i) advise each of the subsidiaries and affiliates of the Company of this Policy and (ii) and work with the subsidiaries and affiliates of the Company to implement the Policy for each subsidiary or affiliate to adopt its own policy on RPTs.

The Committee shall annually review the threshold values and the provisions of this Policy and may recommend to the Board amendments to this Policy as it deems appropriate.

Please refer to Notes to Consolidated Financial Statements of the Company which discloses in detail the Related-Party Transactions for the year.</td></tr>
<tr><td>(2) Joint Ventures</td></tr>
<tr><td>(3) Subsidiaries</td></tr>
<tr><td>(4) Entities Under Common Control</td></tr>
<tr><td>(5) Substantial Stockholders</td></tr>
<tr><td>(6) Officers including spouse/children/siblings/parents</td></tr>
<tr><td>(7) Directors including spouse/children/siblings/parents</td></tr>
<tr><td>(8) Interlocking director relationship of Board of Directors</td></tr>
</table>

(b) Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	*N.A.*
Name of Officer/s	*N.A.*
Name of Significant Shareholders	*N.A.*

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

<table>
<tr><th></th><th>Directors/Officers/Significant Shareholders</th></tr>
<tr><td>Company</td><td rowspan="2">If an actual or potential conflict of interest should arise on the part of directors, it should be fully disclosed and the concerned director should not participate in the decision making. A director who has a continuing conflict of interest of a material nature should either resign or, if the Board deems appropriate, be removed from the Board.</td></tr>
<tr><td>Group</td></tr>
</table>

5) Family, Commercial and Contractual Relations

(a) Indicate, if applicable, any relation of a family,[4] commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
None		

(b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description
None		

(c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
None		

6) Alternative Dispute Resolution

[4] Family relationship up to the fourth civil degree either by consanguinity or affinity.

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

	Alternative Dispute Resolution System
Corporation & Stockholders	*There is no known conflict with any party mentioned but in case any dispute arises, the Company's management will meet and discuss the issue and aim to reach a compromise. If otherwise, a final arbitration will be sought.*
Corporation & Third Parties	
Corporation & Regulatory Authorities	

C. BOARD MEETINGS & ATTENDANCE

1) Schedule of Meetings

Board meetings are scheduled at the beginning of the year and held at least quarterly, or as often as necessary, for the Board to fulfill its role.

2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Jaime Augusto Zobel de Ayala	4/4/14	6	5	83
Member	Fernando Zobel de Ayala	4/4/14	6	4	67
Member	Delfin L. Lazaro	4/4/14	6	3	50
Member	Arthur R. Tan	4/4/14	6	6	100
Member	Jose Ignacio A. Carlos	4/4/14	6	5	83
Member	Rafael Ma. C. Romualdez	4/4/14	6	6	100
Member	Delfin C. Gonzalez, Jr.	4/4/14	6	4	67
Member	John Eric T. Francia	4/4/14	6	6	100
Independent	Hiroshi Nishimura	4/4/14	6	3	50
Independent	Edgar O. Chua	4/4/14	5	4	80
Independent	Diosdado P. Banatao	4/12/13	1	0	-0
Independent	Alelie T. Funcell	4/4/14	6	5	83

3) Separate Meeting of Non-Executive Directors

Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?

None.

4) Quorum Requirement

Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

Members of the Board should attend regular and special meetings of the Board in person or via teleconference or videoconference or by any other technological means allowed by the PhilSEC.

A majority of the Directors shall constitute a quorum for the holding of a meeting, and any resolution by a majority of the quorum duly convened in a session shall be valid as a corporate act.

The Board may, to promote transparency, require the presence of at least one (1) independent director in all of its meetings. However, the absence of an independent director shall not affect the quorum requirement if he is duly notified of the meeting but notwithstanding such notice fails to attend.

5) Access to Information

(a) How many days in advance are board papers[5] for board of directors meetings provided to the board?

1 to 2 days.

(b) Do board members have independent access to Management and the Corporate Secretary?

Yes. The Board has separate and independent access to the Corporate Secretary.

(c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?

The Corporate Secretary shall have the following functions.

i. Serve as an adviser to the directors on their responsibilities and obligations;
ii. Keep the minutes of meetings of the stockholders, the Board of Directors, the Executive Committee, and all other committees in a book or books kept for that purpose, and shall furnish copies thereof to the Chairman, the President and other members of the Board as appropriate;
iii. Keep in safe custody the seal of the Corporation and affix it to any instrument requiring the same;
iv. Have charge of the stock certificate book and such other books and papers as the Board may direct;
v. Attend to the giving and serving of notices of Board and stockholder meetings;
vi. Be fully informed and be part of the scheduling process of other activities of the Board;
vii. Prepare an annual schedule of Board Meetings and the regular agenda of meetings, and put the Board of notice of such agenda at every meeting;
viii. Oversee the adequate flow of information to the Board prior to meetings;
ix. Ensure fulfillment of disclosure requirements to the Commission and the PSE.

The Corporate Secretary shall have such other responsibilities as the Board of Directors may impose upon him.

(d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

The Corporate Secretary shall be a resident and citizen of the Philippines. He is an officer of the Corporation and his loyalty to the mission, vision and specific business objectives of the Corporation comes with his duties. Considering his varied functions and responsibilities, he must possess organizational and interpersonal skills, and the legal skills of a chief legal officer. He must also have some financial accounting knowledge.

(e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes [/] No [ ]

Committee	Details of the procedures
Executive	*The secretariat of the respective committees coordinates with various business areas for materials and inputs prior to the committee meetings. The materials are distributed to members of each Committee at least 2 days prior to their schedule of meeting.*
Audit	
Nomination	
Remuneration	
Others (specify)	

[5] Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

Procedures	Details
The Corporation shall, as appropriate, provide Independent Directors with technical support staff to assist them in performing their duties for committees. Independent Directors may, when necessary also request and receive support from executives, employees or outside professionals such as auditors, advisers and legal counsel to perform their duties. The Corporation shall cover the reasonable expenses providing such support.	

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

Existing Policies	Changes	Reason
	There is none.	

D. REMUNERATION MATTERS

1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	*The Human Resources Group participates in independently-conducted remuneration surveys to determine the market competitiveness. Adjustment in remuneration is approved by the Board of Directors upon the recommendation of the Compensation Committee of the Board.*	*The Human Resources Group participates in independently-conducted remuneration surveys to determine the market competitiveness. Adjustment in remuneration is approved by the Board of Directors upon the recommendation of the Compensation Committee of the Board and the Chairman of the Board*
(2) Variable remuneration	*The Company adopts a performance-based variable pay program aligned with business strategy. It is determined by the Compensation Committee of the Board and duly approved by the Board of Directors.*	*The Company adopts a performance-based variable pay program aligned with business strategy. The PB Pie is approved by the Compensation Committee of the Board. Individual amount is approved by the Chairman and CEO and the President and COO.*
(3) Per diem allowance	*In the conduct of business abroad, per diem allowance is provided to reimburse miscellaneous expenses like airport fees, travel tax, taxi fare, laundry and*	

	phone allowance.	
(4) Bonus	*Refer to Item 2- Variable Remuneration*	*Refer to Item 2- Variable Remuneration*
(5) Stock Options and other financial instruments	*The Stock Ownership Plan is used as guide in the selection of grantees, the size of grant, the offer price and discount. Approved by the Board of Directors upon the recommendation of the Compensation Committee of the Board.*	*The Stock Ownership Plan is used as guide in the selection of grantees, the size of grant, the offer price and discount. Approved by the Board of Directors upon the recommendation of the Compensation Committee of the Board.*
(6) Others (specify)		

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

<table>
<tr><th></th><th>Remuneration Policy</th><th>Structure of Compensation Packages</th><th>How Compensation is Calculated</th></tr>
<tr><td>Executive Directors</td><td colspan="3" rowspan="2">Each director shall be entitled to receive from the Corporation, pursuant to a resolution of the Board of Directors, fees and other compensation for his services as director. The Board of Directors shall have the sole authority to determine the amount, form and structure of the fees and other compensation of the directors. In no case shall the total yearly compensation of directors exceed 5% of the net income before tax of the Corporation during the preceding year.

The Chairman of the Board shall receive such remuneration as may be fixed by the Board of Directors each year, in addition to the per diem and compensation that each Director may be entitled to receive.

During the 2008 annual stockholders' meeting, the stockholders ratified the resolution fixing the remuneration of non-executive directors which the Board approved at its meeting on April 30, 2008, as follows:
a. For each Director – P100,000.00 per diem per Board meeting actually attended;
b. For each Board Committee member – P20,000.00 per diem per Committee meeting actually attended.

The executives who are members of the Board of the Company do not receive per diem. Their compensation, as executives of the Company, in included in the compensation table indicated above.

None of the directors, in their personal capacity, has been contracted and compensated by the Company for services other than those provided as a director.

The Company has no other arrangement with regard to the remuneration of its existing directors and officers aside from the compensation received herein stated.</td></tr>
<tr><td>Non-Executive Directors</td></tr>
</table>

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

Remuneration Scheme	Date of Stockholders' Approval
The stockholders ratify all acts and resolutions of the Board and Management during every annual stockholder's meeting including those resolutions pertaining to the structure of fees and compensation of the directors.	

3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year (**2014**):

<table>
<tr><th>Remuneration Item</th><th>Executive Directors</th><th>Non-Executive Directors (other than independent directors)</th><th>Independent Directors</th></tr>
<tr><td>(a) Fixed Remuneration</td><td rowspan="7">The executives who are members of the Board of the Company do not receive per diem. Their corresponding per diem is included in their compensation as executives of the Company.</td><td>None</td><td>None</td></tr>
<tr><td>(b) Variable Remuneration</td><td>None</td><td>None</td></tr>
<tr><td>(c) Per diem Allowance</td><td>P4,420,000.00</td><td>P1,380,000.00</td></tr>
<tr><td>(d) Bonuses</td><td>None</td><td>None</td></tr>
<tr><td>(e) Stock Options and/or other financial instruments</td><td>None</td><td>None</td></tr>
<tr><td>(f) Others (Specify)</td><td>None</td><td>None</td></tr>
<tr><td>Total</td><td></td><td></td></tr>
</table>

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	*None*	*None*	*None*
2) Credit granted	*None*	*None*	*None*
3) Pension Plan/s Contributions	*None*	*None*	*None*
(d) Pension Plans, Obligations incurred	*None*	*None*	*None*
(e) Life Insurance Premium	*None*	*None*	*None*
(f) Hospitalization Plan	*None*	*None*	*None*
(g) Car Plan	*None*	*None*	*None*
(h) Others (Specify)	*None*	*None*	*None*
Total	*None*	*None*	*None*

4) Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

Director's Name	Number of Direct Option/Rights/	Number of Indirect	Number of Equivalent	Total % from Capital Stock

	Warrants	Option/Rights/ Warrants	Shares	
The Stock Ownership Plan is used as guide in the selection of grantees, the size of grant, the offer price and discount. This is approved by the Board of Directors upon the recommendation of the Compensation Committee of the Board.				

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

Incentive Program	Amendments	Date of Stockholders' Approval
None		

5) Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year **2014**:

Name of Officer/Position	Total Remuneration
Jerome S. Tan, *Global Chief Financial Officer*	*P42,446,800.00*
Linardo Z. Lopez, *Senior Managing Director, Chief Procurement Officer*	
Olaf Gresens, *Managing Director, Global Head of Sales and Marketing*	
Andrew C. Carreon, *Managing Director, Regional Head of Manufacturing Support*	
Melita R. Tomelden, *Managing Director, Global Head of Quality & Reliability*	

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Executive	1	2			***Executive Committee*** *– is composed of not less than 3 members, a majority of whom shall be citizens of the Philippines.* *The Executive Committee, in accordance with the authority granted by the Board, or during the absence of the Board, shall act by majority vote of all its members on such specific matters within the competence of the Board of Directors as may from time to time be delegated to the Executive Committee in accordance with the Corporation's By-Laws, except with respect to –*		

					Approval of any action for which shareholders' approval is also required; *The filling of vacancies on the Board or in the Executive Committee;* *The amendment or repeal of By-Laws or the adoption of new By-Laws;* *The amendment or repeal of any resolution of the Board of Directors which by its express terms is not so amenable or repealable;* *The distribution of cash dividends; and* *The exercise of powers delegated by the Board exclusively to other committees, if any.* *A majority of all the members of the Executive Committee shall constitute a quorum. The Executive Committee shall fix its own rules of procedure. An act of the Executive Committee which is within the scope of its powers shall not require ratification or approval for its validity and effectivity; provided, however, that the Board of Directors may at any time enlarge or redefine the powers of the Executive Committee. All actions of the Executive Committee shall be reported to the Board of Directors at the meeting thereof following such action, and may be subject to the revision or alteration by the Board of Directors; provided that, no rights or acts of third parties shall be affected by any such revision or alteration.*
Audit		1	1		***Audit and Risk Committee*** *– is composed of (3) members, and at least one of whom shall be an Independent Director. The Independent Director shall chair the Audit Committee. Each member shall have an adequate understanding of accounting and auditing principles in general and of the Corporation's financial management systems and environment in particular.* *The Audit Committee shall have the following duties and responsibilities:* *Check all financial reports against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements;* *Provide oversight over the Company's enterprise risk management (ERM) process by ensuring that a risk management structure or framework and policies and procedures exist and providing continuous input, evaluation and feedback on the effectiveness of the ERM process. Provide also oversight over the Chief Risk Officer (CRO) who is the Corporation's ultimate ERM champion. The Committee shall receive from the CRO periodic risk assessments and risk mitigation and action plans;* *Be responsible for setting up an internal audit department and consider the appointment of the chief audit executive so that the reporting levels allow the internal audit activity to fulfil its responsibilities;*

					Ensure that internal auditors have free and full access to all the Corporation's records, properties and personnel relevant to and required by its function and that the internal audit activity shall be free from interference in determining its scope performing its work and communicating its results; *Provide oversight of the Corporation's internal and external auditors;* *Pre-approve all audit plans, scope and frequency before the conduct of external audit;* *Discuss with the external auditor before the audit commences the nature and scope of the audit, and ensure cooperation where more than one audit firm is needed;* *Ensure that Management formulates accounting/reporting processes and practices in accordance with International/Philippine Financial Reporting Standards* *Develop a transparent financial management system that will ensure the integrity of Internal Control activities throughout the Corporation through procedures and policies handbook that will be used by the entire organization;* *Receive and review reports of internal and external auditors and regulatory agencies, where applicable, and ensure that Management is taking appropriate corrective actions in a timely manner in addressing control and compliance functions with regulatory agencies;* *Review the quarterly, half-year and annual financial statements before submission to the Board, focus in on changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from the audit, going concern assumptions, compliance with accounting standards, and compliance with tax, legal and stock exchange requirements;* *Coordinate, monitor and facilitate compliance with laws, rules and regulations;* *Recommend and review the appointment of external auditors and their remuneration;* *Review and approve the proportion of audit versus Non-Audit work both in relation to their significance to the auditor and in relation to the Corporation's total expenditure on consultancy, to ensure that non-audit work will not be in conflict with the audit functions of the external auditor. The amount of non-audit work shall be disclosed in the annual report.*
Nomination		2	1		***Nomination Committee*** *– is composed of at least 3 members, with at least (1) of whom shall be an Independent Director and a majority of whom shall be directors. The Committee shall have the following functions:* *Install and maintain a process to ensure that all directors to be nominated for election at the next annual stockholders meeting have the qualifications and none of the disqualifications previously stated.*

					Encourage the selection of a mix of competent directors , each of whom can add value and create independent judgment as to the formulation of sound corporate strategies and policies; *Review and evaluate the qualifications of all persons nominated to positions in the Corporation which require appointment by the Board.*
Remuneration		3			***Compensation Committee*** *– is composed of at least (3) members, one of whom shall be an Independent Director and a majority of whom shall be directors. It shall have the following duties:* *Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Corporation's culture, strategy and control environment;* *Designate the amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the Corporation successfully;* *Develop a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers which among things, compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired;* *Disallow any director to decide his own remuneration during his incumbent term;* *Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandable disclosure of compensation of its executive officers for the previous fiscal year and the ensuing year;* *Review the existing Human Resources Development or Personnel Handbook, to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts;* *Or in the absence of such Personnel Handbook, cause the development of such, covering the same parameters of governance stated above.*
Finance		3			***Finance Committee*** *– is composed of at least (3) members, a majority of whom shall be directors. The Finance Committee shall have the principal oversight responsibility with respect to the Corporation's financial operation and its treasury related activities. It shall have oversight functions in the areas of managing credit, market, liquidity, and other financial risks of the Corporation.*

					This function shall include receiving from senior Management periodic information on financial risk exposures and corresponding risk mitigations. *The Finance Committee shall define its own Charter and fix its own rules of procedures.*

2) Committee Members

(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Delfin L. Lazaro	May 11, 2006	0	N.A.	N.A.	8
Member (NED)	Rafael Ma. C. Romualdez	May 11, 2006				8
Member (ED)	Arthur R. Tan	May 11, 2006				8

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Edgar O. Chua	April 4, 2014	5	3	60%	Less than 1 yr.
Member (NED)	Rafael Ma. C. Romualdez	May 11, 2006	5	5	100%	8
Member (NED)	Delfin C. Gonzalez Jr.	June 21, 2013	5	5	100%	1

Disclose the profile or qualifications of the Audit Committee members.

- Please refer to the response on item E.1 above.

Describe the Audit Committee's responsibility relative to the external auditor.

The Audit Committee is expected, through the provision of checks and balances, to support the corporate governance process. They are responsible for the following functions relative to external auditor:

a. *Recommend the appointment of the Independent Auditors and the fixing of their remuneration to the Board.*
b. *Review and pre-approval of the Independent Auditor's plans to understand the basis for their risk assessment and financial statement materiality, including the scope and frequency of the audit.*
   In this regard, the Committee shall discuss with the Independent Auditors, before the audit commences, the nature and scope of the audit, and ensure cooperation when more than one professional service firm is needed.
c. *Monitoring of the coordination of efforts between the external and internal auditors.*
d. *Review of the reports of the Independent Auditors, where applicable, and ensure that management is taking appropriate corrective actions in a timely manner, including addressing control governance and compliance issues.*
e. *Conducting a separate meeting in executive session, with the external auditors to discuss any matter that the committee or auditors believe should be discussed privately, including the results of the audit, year-end financial statements, and the quality of management, financial and accounting controls.*
f. *Review and approval of the proportion of audit versus non-audit work both in relation to their significance to the auditor and in relation to the Corporation's year-end financial statements, and total expenditures on consultancy, to ensure that non-audit work will not in conflict with the audit functions of the*

independent auditor. The amount of both audit and non-audit work of independent auditors shall be disclosed in the annual report.

(c) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Fernando Zobel de Ayala (effective April 12, 2013)	April 12, 2013	2	2	100%	1
Member (NED)	Jose Ignacio P. Carlos	April 26, 2007	2	2	100%	7
Member (ID)	Alelie T. Funcell	April 19, 2010	2	2	100%	4

(d) Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Jaime Augusto Zobel de Ayala	Apr 12, 2014	0	0	0	Less than 1 yr.
Member (NED)	Delfin L. Lazaro	May 11, 2006	0	0	0	8
Member (NED)	Rafael Ma. C. Romualdez	May 11, 2006	0	0	0	8

(e) Finance Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Delfin C. Gonzalez Jr.	July 9, 2010	5	5	100%	4
Member (NED)	John Eric T. Francia	July 9, 2010	5	2	20%	4
Member (NED)	Rafael Ma. C. Romualdez	April 14, 2009	5	5	100%	5
Member (ID)	Hiroshi Nishimura	April 4, 2014	5	4	80%	Less than 1 yr.

(f) Proxy Validation Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Solomon M. Hermosura	April 6, 2015	0	0	0	0
Member	Jaime G. Sanchez	April 6, 2015	0	0	0	0
Member	Neilson C. Esguerra	April 6, 2015	0	0	0	0

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
Executive	None	
Audit	None	
Nomination	None	

Remuneration	None	
Finance	None	

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Executive	*Approval of counterparty banks and appointment of signatories;* *Renewal of credit line facilities*	
Audit	*Review of financial statements of the Company and its subsidiaries*	
Nomination	*Approval of nominees for directorship* *Appointment of officers*	
Remuneration	*ESOWN matters*	
Finance	*Approval of dollar forward hedging* *Review of quarterly financial instruments* *MPO Matters* *Integration of STEL* *Endorsed and Approved renewal of credit facilities, risk limits, and loan documents, among others*	

5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	*Planned Programs*	*Issues to be Addressed*
Executive	*The Executive Committee (ExCom) acts on such specific matters within the competence of the board as may occasionally be delegated to the ExCom in accordance with the corporation's By-Laws, except with respect to any action for which shareholders' approval is also required, filling of vacancies on the Board or in the ExCom, amendment or repeal of any resolution of the Board, which by its express terms is not so amendable or repealable, distribution of cash dividends, and the exercise of powers delegated by the board exclusively to other committees, if any.*	
Audit	*The Audit Committee oversees the Company's internal control and financial reporting on behalf of the Board.*	
Nomination	*The Nomination Committee ensures that all nominees for directors for election at the annual stockholders' meeting have all the qualifications and none of the disqualifications for directors as stated in the By-Laws and pertinent rules of the SEC. The Committee also reviews the qualifications of all persons nominated to positions requiring appointment by the Board.*	
Remuneration	*The Compensation Committee establishes a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors. It exercises oversight of the remuneration of senior management and other key personnel, ensuring that compensation is consistent with the corporation's culture, strategy, and control environment.*	
Finance	*The Finance Committee supervises the implementation of an enterprise-wide risk management program and oversees major financial policies. The Company's risk management program involves risk identification, formulation of risk mitigation strategies, and execution of such strategies.*	

F. RISK MANAGEMENT SYSTEM

1) Statement on Effectiveness of Risk Management System

Disclose the following:

(a) Overall risk management philosophy of the company;

The risk management philosophy is embedded in the IMI's culture that upholds good governance and promotes a regulatory compliant and safe working environment while subscribing to the highest standards of quality service. Consistent with this, IMI supports a fully integrated risk management process and adopts an Enterprise-wide Risk Management framework to cover the full cycle of risk management.

(b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

The Finance Committee of the Board accounted for the initiatives, progress and effectiveness of the enterprise-wide risk management program and ensures that the risk management system is well in place.

(c) Period covered by the review;

Annually, or as frequent as the Board Committee would require a review

(d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and

The risk management system review is targeted on a semestral basis, and as often as management calls for its review, with quarterly monitoring of risks.

(e) Where no review was conducted during the year, an explanation why not.

Kindly refer to the answer on letter d.

2) Risk Policy

(a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
Interest Rate Risk	*The Group manages interest costs using a mix of fixed and variable rate debt.*	*To manage the exposure to interest rate risk as they relate to the Groups' long-term debt obligation with floating interest rates.*
Liquidity Risk	*The Group maintains a level of cash and cash equivalent deemed sufficient to finance its operations.*	*The Group seeks to manage its liquidity profile to be able to finance its capital expenditures and operations.*
Credit Risk	*The Group extends credit only with reputable, competent and reliable customers who pass the Group's credit standards. The credit evaluation reflects the customers' overall credit strength based on key financial and credit*	*The Group manages this risk by dealing with institutions for which credit limits have been established.*

	characteristics such as financial stability, operations, focus market and trade references. All customers who wish to trade on credit terms are subject to verification procedures.	
Foreign Currency Risk	*The Group hedges the risk associated with foreign currency fluctuations by entering into currency forward contracts.*	*The Group manages its foreign exchange exposure risk by matching, as far as possible, receipts and payments in each individual currency. The Group hedges the risk associated with foreign currency fluctuations.*

(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
Interest Rate Risk	*The Group manages interest costs using a mix of fixed and variable rate debt.*	*To manage the exposure to interest rate risk as they relate to the Groups' long-term debt obligation with floating interest rates.*
Liquidity Risk	*The Group maintains a level of cash and cash equivalent deemed sufficient to finance its operations.*	*The Group seeks to manage its liquidity profile to be able to finance its capital expenditures and operations.*
Credit Risk	*The Group extends credit only with reputable, competent and reliable customers who pass the Group's credit standards. The credit evaluation reflects the customers' overall credit strength based on key financial and credit characteristics such as financial stability, operations, focus market and trade references. All customers who wish to trade on credit terms are subject to verification procedures.*	*The Group manages this risk by dealing with institutions for which credit limits have been established.*
Foreign Currency Risk	*The Group hedges the risk associated with foreign currency fluctuations by entering into currency forward contracts.*	*The Group manages its foreign exchange exposure risk by matching, as far as possible, receipts and payments in each individual currency. The Group hedges the risk associated with foreign currency fluctuations*

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

Risk to Minority Shareholders
This risk has ramifications that can manifest in related-party transactions. The Company observes measures and policies to protect minority shareholders welfare.

3) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Interest Rate Risk	*The Group monitors the sensitivity of its earnings before income taxes to reasonable possible changes in interest rates*	*The Group manages its interest rate exposure using a mix of fixed and variable rate debt; It also conducts scenario analysis to measure the impact of changes in interest rates on profit before tax.*
Liquidity Risk	*The Group regularly evaluates its projected and actual cash flows.*	*To cover financing requirements, the Group uses internally-generated funds and loan facilities with local and foreign banks.*
Credit Risk	*The Group regularly monitors its credit exposures and conducts an aging analysis of its loans and receivables and miscellaneous deposits.*	*The Group has a well-defined credit policy and established credit procedures.* *It classifies its credit quality of its exposures into Minimal Risk, Average Risk, Fairly High Risk and High Risk – with each classification having a corresponding credit term.*
Foreign Currency Risk	*Unhedged foreign currency exposure is reviewed and monitored closely on an ongoing basis.*	*Hedging of foreign currency exposure on a quarterly basis (based on FX hedging policy); Management will consider hedging any material exposure on currency when appropriate.*

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Interest Rate Risk	*The Group monitors the sensitivity of its earnings before income taxes to reasonable possible changes in interest rates*	*The Group manages its interest rate exposure using a mix of fixed and variable rate debt; It also conducts scenario analysis to measure the impact of changes in interest rates*

		on profit before tax.
Liquidity Risk	*The Group regularly evaluates its projected and actual cash flows.*	*To cover financing requirements, the Group uses internally-generated funds and loan facilities with local and foreign banks.*
Credit Risk	*The Group regularly monitors its credit exposures and conducts an aging analysis of its loans and receivables and miscellaneous deposits.*	*The Group has a well-defined credit policy and established credit procedures.* *It classifies its credit quality of its exposures into Minimal Risk, Average Risk, Fairly High Risk and High Risk – with each classification having a corresponding credit term.*
Foreign Currency Risk	*Unhedged foreign currency exposure is reviewed and monitored closely on an ongoing basis.*	*Hedging of foreign currency exposure on a quarterly basis (based on FX hedging policy); Management will consider hedging any material exposure on currency when appropriate.*

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

Committee/Unit	Control Mechanism	Details of its Functions
Management Committee	*Designates risk owners; approves risk responsibilities and accountabilities; and approves risk measurement methodologies*	*Ensures the sufficiency and effectiveness of the relevant infrastructure for managing risks*
Audit Committee	*Quarterly oversight review of ERM activities*	*Oversight of risk management activities in credit, market, liquidity, operational, legal and other risks of the corporation.*

G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

(a) Explain how the internal control system is defined for the company;

The company's definition of internal control is consistent with the COSO definition, which states that "internal control is a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- *Effectiveness and efficiency of operations*
- *Reliability of reporting*
- *Compliance with applicable laws and regulations"*

(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;

The Audit Committee of the Board discusses the audit results and reports of the external auditors and internal auditors on matters related to internal controls and ensure that management is taking appropriate corrective actions.

For internal controls over financial reporting, Management has affirmed in the annual report their responsibility in designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

(c) Period covered by the review: *Annually and/or to the extent of the external auditor and internal auditor's audit plan.*

(d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and

Internal controls are reviewed periodically to the extent covered by the external auditor and internal auditor's plan. The criteria for assessing the effectiveness of the internal control system, based on COSO, are as follows:

- *Control environment*
- *Risk assessment*
- *Information and communication*
- *Control activities*
- *Monitoring of controls*

(e) Where no review was conducted during the year, an explanation why not.

2) Internal Audit

(a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
Internal Controls	Review of the adequacy of the system of internal controls to ensure the reliability and integrity of the financial reporting process and operating information, economic and efficient utilization of resources in achieving company objectives, and safeguarding of Company's assets.	*In-house and* *Outsourced*	*Neilson Esguerra and* *BDO*	*Internal control issues, recommendations and management actions are reported to the Audit Committee quarterly.*
Risk Management	Participates in risk management workshops and meetings and provide inputs on risk mitigation	*In-house*	*Neilson Esguerra*	*Provides the Audit Committee with updates on the risk management process of the Company.*

	strategies designed by risk owners.			
Compliance	Review of the adequacy, existence and degree of adherence to Company policies, procedures and sound business practices.	*In-house*	*Neilson Esguerra*	*Compliance issues and management actions are reported to the Audit Committee quarterly.*
Corporate Governance	Provide assistance to the Audit Committee in the discharge of the Committee's oversight function with regard to corporate governance	*In-house*	*Neilson Esguerra*	*Internal audit reports its corporate governance activities to the Audit Committee quarterly and annually.*

(b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee? *Yes*

(c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

The internal audit head has unrestricted access to the audit committee and to all records, properties, and personnel.

(d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

Name of Audit Staff	Reason
Amando P. Alejandria	*Different role and better compensation in another Company.*

(e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

Progress Against Plans 2014	*The 2014 internal audit plan was approved by the Audit Committee on February 14, 2014. The internal audit progress against plan is being reported to the Committee quarterly and annually.*
Issues[6]	*Internal audit did not raise any issues or compliance matters that arise from adopting different interpretations.*

[6] "Issues" are compliance matters that arise from adopting different interpretations.

Findings[7]	*There were no major findings noted during the audit. However relevant internal control improvements were noted and reported to Management and the Audit Risk Committee. Management established target dates for implementing the recommendations and Internal Audit established plans to monitor implementation.*
Examination Trends	*Data analyses are normally used to support individual auditing but this is on an ad hoc basis. The analyses are run once, and the results are used only to address specific audit objectives. Internal audit is strongly considering adopting continuous auditing.*

The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

1) Preparation of an audit plan inclusive of a timeline and milestones;
2) Conduct of examination based on the plan;
3) Evaluation of the progress in the implementation of the plan;
4) Documentation of issues and findings as a result of the examination;
5) Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;
6) Conduct of the foregoing procedures on a regular basis.]

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."

Policies & Procedures	**Implementation**
Management has established policies and procedures to ensure proper segregation of duties, authorization of transactions, adequate documentation, and physical control over assets and records. Among others, the Company has policies and procedures on; 1. Access and Segregation of Duties 2. Signing Authorities: - Contracts (customers and suppliers) - Purchase Requisitions/Purchase Orders - Checks - Journal vouchers 3. Provisions for Inventory Obsolescence 4. Allowance for Doubtful Accounts Receivable 5. Foreign Currency Risk Management 6. System Backup and Recovery In addition, the Company has the following ethics related policies and procedures 7. Code of Conduct, with Annual Declaration of Compliance 8. Conflict of Interest Policy, including suppliers 9. Insider Trading Policy	*The Policies and Procedures enumerated herein exist and are being implemented.*

[7] "Findings" are those with concrete basis under the company's policies and rules.

10. Non-Disclosure Agreement	

(g) Mechanisms and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an **external auditor may provide to the company):**

Auditors (Internal and External)	**Financial Analysts, Investment Banks, and Rating Agencies**
1. External Auditors: 1.1 The Audit and Risk Committee (ARC) obtains an annual confirmation from the external auditors that they have maintained their independence with respect to the company in accordance with the external auditor's independence policies and procedures. 1.2 The ARC conducts a separate meeting in executive session with the external auditors to discuss any matter that the committee or auditors believe should be discussed privately. 1.3 The ARC reviews and approves the proportion of audit versus non-audit work to ensure that non-audit work will not be in conflict with the audit functions of the external auditor. 2. Internal Auditors: 2.1 The internal audit activity reports functionally to the ARC. 2.2 The internal audit head has open and direct access to the chairman and members of the ARC. 2.3 The ARC has to concur with the appointment, re-assignment, replacement or dismissal of the internal audit head. 2.4 The internal audit activity is governed by a charter approved by ARC.	*The Company's insider trading policy, which defines the restrictions on trading, covers consultants and advisers. In addition, consultants, advisers, suppliers, and other business partners who may be given access to non-public material information are required to sign a non-disclosure agreement.*

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

Jaime G. Sanchez

H. ROLE OF STAKEHOLDERS

1) **Disclose the company's policy and activities relative to the following:**

	Policy	**Activities**
Customers' welfare	The Company continuously identifies, monitors, and understand applicable laws, regulations and customer requirements.	*To the extent possible, the company works closely with customers to ensure that there is at least one back up supplier or manufacturer for customer-supplied components or components supplied by customer-nominated suppliers.*
Supplier/contractor selection practice	Each employee, officer, and director should endeavor to deal fairly with	*The Company has established supplier certification and*

	the Company's customers, suppliers, competitors, officers and employees. No one should take unfair advantage of anyone through bribery, manipulation, concealment, misrepresentation of material facts, or any other unfair dealing practices.	*development programs designed to assess and improve suppliers' capability in ensuring uninterrupted supply of components to IMI.*
Environmentally friendly value-chain	IMI continuously supports and implements responsible manufacturing to protect the environment and people. Its Hazardous Substance Process Management (HSPM) continuously evolves to support product compliance to customer requirements and compliance to different environmental directives and regulations.	*IMI is implementing the following initiatives: 1. Modification of internal HSPM support database to improve compliance verification of materials; 2. Improved support module to communicate IMI requirements to suppliers; 3. Support system to comply with specific customer requirements such as IMDS and CAMDS for Automotive customers, BOMCHECK, and material declaration*
Community interaction	The Company is committed to the larger, global community, evident in its faithful dedication to good governance and corporate social responsibility. Beyond the pursuit of profits, IMI places a high priority on Corporate Social Responsibility (CSR) in the communities in which it operates. As part of the Ayala Group, the Company's CSR efforts focus on 3 E's – Education, Environmental protection and Entrepreneurship, aside from its own CSR initiatives to nearby communities.	*The Company, through the Ayala Group, is a proponent contributor of GILAS (Gearing up for Internet Literacy Access in Schools) project, which provide internet access to public schools nationwide.* *The Company annually does tree planting activity for the designated area by the Department of Environment and Natural Resources.* *CSR projects include blood donation drive; medical outreach; book donation; and donation to Children's Hour, a foundation that helps underprivileged Filipino schoolchildren.*
Anti-corruption programs and procedures?	Each employee, officer, and director should endeavor to deal fairly with the Company's customers, suppliers, competitors, officers and employees. No one should take unfair advantage of anyone through bribery, manipulation, concealment, misrepresentation of material facts, or any other unfair dealing practices.	*The Company has standing policies on Corporate Governance and Code of Conduct to which employees and officers subscribe. There is also an internal audit group in addition to an external auditor which oversees that procedures and company policies are being observed and followed.*
Safeguarding creditors' rights	All employees are expected to perform their work with utmost integrity, discipline, honesty, sincerity and dedication. Any and all forms of corruption, extortion, embezzlement are strictly prohibited will be punishable up to the extent of immediate termination and legal actions.	*The Company has an internal procedure for monitoring its financial indicators against certain thresholds to remain in line with commitments to its creditors.*

2) **Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?**

Yes. IMI provides a separate sustainability report section within its Annual Report.

3) **Performance-enhancing mechanisms for employee participation.**

(a) What are the company's policy for its employees' safety, health, and welfare?

IMI always seeks to minimize the impact of its operations on its people and the environment through the implementation of an integrated Environment, Health, and Safety (EHS) program.

The EHS Organization keeps track of the interrelationship of various functions for developing, managing and implementing the different components of all applicable systems. Teams are in charge of implementing the programs developed to achieve the organization's EHS objectives and targets.

IMI prides itself on an integrated EHS management system that consists of programs in energy management, water conservation, health and safety management, and chemical and waste management.

(b) Show data relating to health, safety and welfare of its employees.

Programs in Place for 2013

Health information campaign on goiter, dengue, HIV, hepatitis-B, tuberculosis, influenza, etc.
Immunization program for employees and their dependents –

- *Expanded Immunization program for employees' pediatric dependents to cover vaccinations not given by Department of Health (DOH).*
- *Influenza vaccines for seasonal flu*
- *Cervical cancer vaccine extended to above 45 years old*

Breast Cancer Month

- *Intensive awareness program thru posters, email blasts and lecture*

Hypertension Prevention Program

- *Identification and Monitoring of hypertensive employees*

Leptospirosis Program

- *Special health bulletin on leptospirosis during typhoon Maring/Habagat (Sep 23 2013)*
- *Prophylactic medicines (Doxycycline capsules) given to employees exposed to flood waters*

Fitness program

- *Program that offers Aerobics, Zumba and Basic Belly Dancing to all employees who want to be physically fit and healthy. There are about 133 employees who actively joined the program that lasted for 3 months.*

Programs for 2012

Continuous health information campaign on dengue, HIV, hepatitis-B, tuberculosis, etc.
Immunization program for employees and dependents against influenza and cervical cancer.
(Source: Sustainability Report Section of the 2013 Annual Report)

(c) State the company's training and development programmes for its employees. Show the data.

Program for Skills management and lifelong learning for 2013

Technology
Sharepoint training; Agile Training; Labview Training

Behavioral
Building an Environment of Trust; Values Training (WOWCP); Facilitation Skills Training; Team Building; GL Leadership Training; Transition Leadership Training; Negotiation Skills Training; Essentials of Leadership; Setting Clear Goals; Financial Management; Becoming an Effective Supervisor Training

Technical
Agile Training; Agile PLM User Training; AOI-Automated Optical Inspection Fundamentals Training; A/P Related Process Workshop; Corporate General Orientation; Conformal Coating Fundamentals Training; Design Failure Mode & Effect Analysis; DOE-Design of Experiment Training; DFM Training; EMC-Electro Mechanical Compatibility Training; ESD Training; FMEA APIS Training; Flipchip Fundamentals Training; ISO/IEC 17025; IPQ Internal Audit Training; IPC-A-610E Training; Incoterms Training; Jigs & Fixture Buy-off Fundamentals; Lean Manufacturing Training; Labview Core 3 Training; Labview-Basic 1 & 2 Training; MS Excel 2010 Training; MS Powerpoint Training; MSA Overview; Mechanical Fabrication; NI Labview Advanced Architecture Training; Project Management Overview; PCB Design for Manufacturing Training; Programmable Logic Circuit Training, among others.

(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures?

The Company has various rewards system in place that encourages employee productivity and exemplary performance and behavior.

The SGA (Small Group Activity) Award is a recognition given to groups in the manufacturing units that are able to implement projects that contributes company productivity and product or service quality by offering recommendation to solve recurring problems related to products, services or processes.

The WISE (Work Improvement Suggestion from Employees) Award is a recognition given to employees who provide innovative ideas or suggestions that leads to improvements in systems, quality or processes resulting to financial savings or gain for the Company.

Perfect Attendance award is also given annually to employees in recognition for their perfect attendance and no incidence of tardiness.

4) **What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behavior? Explain how employees are protected from retaliation.**

The Company has a standing "whistleblower policy" which supplements the existing Code of Conduct and protects individuals who make a good faith report about a violation of the Code of Conduct from retaliatory or employment action including dismissal, demotion, suspension, harassment, or other forms of discrimination.

The pertinent sections of the policy relating to the procedures for handling complaints are provided below:

Reporting Violations

1. The Code addresses the Company's open door policy and suggests that employees share their questions, concerns, suggestions or complaints with someone who can address them properly and appropriately. In most cases, an employee's supervisor is in the best position to address an area of concern. However, if an employee is not comfortable speaking with his supervisor or is not satisfied with the supervisor's response, he is encouraged to speak with someone in the Human Resources Department or anyone in the management team whom he feels comfortable in approaching.

2. Supervisors and managers are required to report suspected violations of the Code of Conduct to the Company's Ethics Officer, who has specific and exclusive responsibility to investigate all reported violations. For suspected fraud, or when one is not satisfied or uncomfortable with following the Company's open door policy, the individual should contact the Internal Audit group.

3. An employee must make a reasonable attempt to ascertain the correctness of any information to be furnished and may be subject to disciplinary actions for knowingly furnishing false information, including suspension or dismissal, as determined by the employee's appointing authority or the appointing authority's designee. However, any employee disciplined under this section is entitled to process an appeal of the disciplinary action under the procedure set forth in any HR Policies.

Ethics Officer

The HR Head is the designated Ethics Officer. He is responsible for investigating and resolving all reported complaints and allegations concerning violations of the Code. All reported complaints and allegations shall be reported to the President and CEO. The Ethics Officer has direct access to the Audit Committee and is required to report to the Audit Committee at least annually on compliance activity. The Ethics Officer is also expected to work closely with the Chief Risk Officer (CRO) for the continuous assessment of ethics related risks and compliance.

Procedure for Reporting

1. *The site HR Head is the designated authority to receive all reports/ complaints made under this Policy. A communication reporting any event/ information of concern may be addressed to the HR Head and may cover, to the extent possible, the following information and details:*

1.1 *What wrongdoing is being reported?*
1.2 *When it occurred?*
1.3 *Specific location where the wrongdoing occurred.*
1.4 *How the individual or firm committed the alleged wrongdoing?*
1.5 *Why the informant believes the activity to be improper?*
1.6 *What documentation exists to corroborate the allegations?*
1.7 *Other witnesses (if any) to the alleged wrongdoing.*

2. *One may not mention one's name or any other particulars that may identify him.*
3. *Copies of documents that may help in establishing the veracity of the report may preferably be attached to the complaint or may be submitted later if the report has been made via the hotline. However, care may be taken that these papers do no**t** contain the name or any other particulars indicating the informant's identity.*
4. *If one has any personal interest in the matter, it must be disclosed at the outset in the forwarding letter/ email message/phone call.*
5. *The aforesaid note should be sent along with a forwarding letter/ email message containing the identity and contact particulars, preferably including a mobile or landline phone number of the person filing the Report. The envelope containing the Report (when made in paper form) should be marked "Confidential."*
6. *Any change in the individual functioning as the Ethics Officer will be updated in this Policy as and when it occurs.*

Process of Handling Reports

1. The Ethics Officer will personally open all the emails or postal/courier mails pertaining to the matters reported under this Policy. He shall maintain a Corporate Register containing brief particulars of the Reports received under this Policy. He shall assign a Unique Reference Number (URN) to each Report. All communications pertaining to a Report will bear the URN.
2. As soon as possible, but preferably within four weeks of receipt of a Report, the Ethics Officer will write to the informant to:

2.1 Acknowledge that the concern has been received
2.2 Indicate how the Company proposes to deal with the matter
2.3 Give an estimate of how long it will take to provide a full response
2.4 Say whether any initial inquiries have been made
2.5 Supply information on support available to the informant; and
2.6 Say whether further investigations will take place and if not, why not

3. Subject to any legal constraints, the person making a Report will normally be informed of the final outcome of any investigation.

4. Any reference or complaint made to any Senior Management executive of the Company of the nature covered under the ambit of this policy shall be forwarded by the concerned executive to the Ethics Officer and handled in the manner as described above.
5. An annual review will be put up to the Audit Committee and the Board of Directors on the Reports received under this Policy.

Confidentiality
Violations or suspected violations may be submitted on a confidential basis by the complainant or may be submitted anonymously. Reports of violations or suspected violations will be kept confidential to the extent possible, consistent with the need to conduct an adequate investigation.

Handling of Reported Violations
The Ethics Officer will notify the sender and acknowledge receipt of the reported violation or suspected violation within (5) five business days. All reports will be promptly investigated and appropriate corrective action will be taken if warranted by the investigation. In investigating any report, due process will be observed. For cases that involve top management level, report shall be made directly to the Audit Committee or thru the Internal Audit.

No Retaliation
This Whistleblower Policy is intended to encourage and enable employees and others to raise serious concerns within the Company prior to seeking resolution outside the Company.
No director, officer or employee who in good faith reports a violation of the Code shall suffer harassment, retaliation or adverse employment consequence. Any employee who retaliates against someone who has reported a violation in good faith is subject to discipline up to and including termination of employment.

I. DISCLOSURE AND TRANSPARENCY

1) **Ownership Structure**

(a) Holding 5% shareholding or more (As of January 31, 2015)

Title of Class	Shareholder	Number of Shares	Percent	Beneficial Owner
Common	AYC Holdings, Ltd.	945,537,373	29.9515%	AYC Holdings, Ltd.
Common	Ayala Corporation	180,492	.0057%	Ayala Corporation
Preferred		1,064,899,372	33.7324%	
Common	PCD Nominee Corporation	239,412,304	9.1442%	Resins, Inc.
Preferred	Resins, Inc.	222,222,107	7.0393%	Resins, Inc.
Common	EPIQ NV	200,000,000	6.3353%	EPIQ NV

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
None			
TOTAL			

2) **Does the Annual Report disclose the following:**

Key risks	*Yes*
Corporate objectives	*Yes*
Financial performance indicators	*Yes*
Non-financial performance indicators	*Yes*
Dividend policy	*Yes*

Details of whistle-blowing policy	*No. The details can be found in the company's website*
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	*Yes*
Training and/or continuing education program attended by each director/commissioner	*No*
Number of board of directors/commissioners meetings held during the year	*Yes*
Attendance details of each director/commissioner in respect of meetings held	*Yes*
Details of remuneration of the CEO and each member of the board of directors/commissioners	*Yes*

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

3) **External Auditor's fee:**

Name of auditor	Audit Fee	Non-audit Fee
SyCip Gorres Velayo & Company (SGV & Co.) - 2014	*₱ 6.86M**	*₱ 0.70M*
SyCip Gorres Velayo & Company (SGV & Co.) - 2013	*₱ 3.36M*	*₱ 1.35M*

**Includes Annual and Interim Audit of Financial Statements.*

4) **Medium of Communication**

List down the mode/s of communication that the company is using for disseminating information.

IMI updates the investing public with strategic, operating, and financial information through adequate and timely disclosures filed with the SEC and the Philippine Stock Exchange (PSE). These disclosures are readily available in the company's website.

5) **Date of release of audited financial report:**

February 17, 2015.

6) **Company Website**

Does the company have a website disclosing up-to-date information about the following?

Business operations	***Yes***
Financial statements/reports (current and prior years)	***Yes***
Materials provided in briefings to analysts and media	***Yes***
Shareholding structure	***Yes***
Group corporate structure	***Yes***
Downloadable annual report	***Yes***

Notice of AGM and/or EGM	***Yes***
Company's constitution (company's by-laws, memorandum and articles of association)	***Yes***

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

7) **Disclosure of RPT**

Below are the details of the Company's Related Party Transactions which formed part of the Company's December 2014 audited financial statements:

In the ordinary course of business, the Group transacts with its related parties. The transactions and balances of accounts with related parties follow:

a. Transactions with Bank of the Philippine Islands, an affiliate

As of December 31, 2014 and 2013, the Group maintains current and savings accounts with BPI amounting to \$0.97 million and \$0.77 million, respectively.

Total interest income earned from investments with BPI amounted to \$5,338, \$2,639 and \$22,652 for the years ended December 31, 2014, 2013 and 2012, respectively.

b. Outstanding balances of the Group's related party transactions with its affiliates follow:

	Receivables		Payables	
	2014	2013	**2014**	2013
BPI	**\$178,059**	\$91,792	**\$2,957**	\$18,267
AC	**1,352**	–	**–**	–
Makati Development Corporation (MDC)	**776**	–	**–**	–
Ayala Land Inc.	**601**	–	**–**	–
Narra Venture Capital II, LP	**–**	83,562	**–**	–
Technopark Land, Inc.	**–**	16,807	**–**	–
Innove Communication Inc. (ICI)	**–**	–	**25,520**	17,742
Globe Telecom, Inc. (GTI)	**–**	–	**5,238**	1,090
Ayala Group Legal (AG Legal)	**–**	–	**–**	4,505
	\$180,788	\$192,161	**\$33,715**	\$41,604

i. Receivables from BPI are nontrade in nature and pertain to retirement and separation pay advanced by the Parent Company but reimbursable from the trust fund with BPI. These are noninterest-bearing and are due quarterly.

ii. Receivables from AC, MDC and ALI pertain to the affiliates' share on the Parent Company's expenses incurred during a group-wide conference.

iii. PSi's outstanding receivables from Narra VC are nontrade in nature and represent payments made by PSi to settle the Pre-Completion Liabilities and which will be later reimbursed from the New Investors. Effective December 29, 2014, IMI purchased shares held by the non-controlling interests in PSi. Accordingly, the receivables from Narra VC were written off.

iv. Receivables from TLI are nontrade in nature and pertain to advances by the Parent Company for various expenses incurred by TLI, primarily on real property taxes and corporate secretarial services. These are reimbursable with a 30-day term.

v. Payables to BPI are nontrade in nature and pertain to outstanding housing and automobile financing loans. The outstanding housing and automobile financing loans arise from timing differences of the remittances by the Parent Company to BPI and the period of withholding from employee salaries and wages. The loan reductions are remitted on a monthly basis.

vi. Payables to ICI are nontrade in nature and pertain to leased lines, internet connections and automated teller machines connections. These are noninterest-bearing and are due every month.

vii. Payables to GTI pertain to billings for software and WiFi connections. These are due and demandable.

viii. Payables to AG Legal are nontrade in nature and pertain to legal services provided to the Parent Company and PSi. These are noninterest-bearing and are due within thirty days.

c. Outstanding balances of related party transactions from the Parent Company's point of view follow:

	Receivables		Payables	
	2014	2013	**2014**	2013
STEL	**$18,426,739**	$24,204,080	**$7,369,725**	$8,390,188
IMI EU/MX Subsidiaries	**14,695,248**	14,705,805	**–**	–
PSi	**12,820,656**	11,319,929	**296**	415,317
IMI Singapore	**1,010,247**	1,010,247	**–**	–
IMI Japan	**981,383**	979,526	**594,201**	712,569
IMI ROHQ	**319,924**	253,323	**1,149,654**	1,212,240
IMI USA	**253,738**	250,405	**196,433**	289,146
	$48,507,935	$52,723,315	**$9,310,309**	$11,019,460

i. Receivables from STEL Group, IMI EU/MX Subsidiaries, PSi, IMI Singapore, IMI Japan and IMI USA are nontrade in nature and pertain to operating cash advances made by the Parent Company.

Advances to STEL Group, IMI Singapore, IMI Japan and IMI USA are noninterest-bearing and are due on demand.

Advances to PSi, IMI MX and IMI CZ have a 90-day term subject to interest rates ranging from 2.33% to 2.73% in 2014, 2.24% to 3.24% in 2013, and 2.31% to 2.81% in 2012.

Receivables from IMI ROHQ are nontrade in nature and represent the retirement expense for IMI ROHQ's employees to be funded by the Parent Company upon availment. These receivables are due on demand.

ii. Payables to STEL Group pertain to non-trade related transactions which include freight and handling charges, business travel expenses and consideration, for the net assets transferred by STPH to the Parent Company. These advances are noninterest-bearing and are payable on demand.

iii. Payables to PSi in 2013 represent payments to settle certain liabilities that had arisen prior to the entry of the New Investors, and which have been identified as the Pre-Completion Liabilities. Pursuant to the IA, the Old Investors and the New Investors shall reimburse PSi for these payments to the extent of two-thirds (2/3) and one-third (1/3) of the amounts, respectively, for the first $3.00 million of the Pre-Completion Liabilities, with the Old Investors absorbing any amount in excess, but only to the extent of the value of the shares that will be eventually sold to the New Investors under the put and call options provision. This was settled in 2014.

iv. Payables to IMI ROHQ are nontrade in nature and pertain to services provided by IMI ROHQ to the Parent Company which serves as a supervisory, communications and coordinating center for its affiliates.

v. Payables to IMI Japan and IMI USA are trade in nature and pertain to the services rendered by IMI Japan and IMI USA. These receivables are with a 30-day term.

d. Revenue/income and expenses from the Group's affiliates follow:

	Revenue/Income			Expenses		
	2014	2013	2012	**2014**	2013	2012
MWAP	**$9,868**	$9,971	$8,885	**$–**	$–	$–
TLI	**7,371**	7,713	–	**1,115,426**	26,328	26,531

BPI	**6,021**	2,639	58,198	**–**	–	–
AG Legal	**–**	–	–	**118,774**	82,818	72,351
ICI	**–**	–	–	**55,971**	88,266	144,905
GTI	**–**	–	–	**73,337**	70,438	68,355
	$23,260	$20,323	$67,083	**$1,363,508**	$267,850	$312,142

Revenue/income from its affiliates pertains to the following transactions:

i. Rental income earned by STEL from lease of its office premises.

ii. In 2013, the Parent Company and TLI entered into a service agreement for the Parent Company to provide TLI administrative services such as professional, clerical, financial and accounting services. The administrative services shall be for a period of three years, commencing on January 2, 2013 up to December 31, 2015, renewable upon mutual agreement by both parties. The fixed monthly service fee is ₱30,000, inclusive of all taxes.

iii. Interest income earned from investments and gain on foreign currency forwards with BPI.

Expenses incurred from related party transactions include:

i. Rental expense from the lease contract with TLI.

ii. Consultations on legal matters and assistance on regulatory and legal requirements from AG Legal.

iii. Building rental, leased lines, internet connections and ATM connections with ICI.

iv. Billings for cellphone charges and WiFi connections with GTI.

e. Revenue and expenses eliminated at the Group level follow:

Intercompany revenues mainly pertain to billings of IMI USA and IMI Japan to the Parent Company for recovery costs and billings for management salaries of key management personnel under IMI ROHQ.

Expenses incurred from related party transactions include interest expense of PSi, IMI MX and IMI CZ from loans granted by the Parent Company.

Compensation of Key Management Personnel of the Group
Key management personnel of the Group include all management committee members. Compensation of key management personnel by benefit type follows:

	2014	2013
Short-term employee benefits	**$7,628,230**	$7,294,687
Post-employment benefits	**243,459**	378,920
Share-based payments	**158,608**	5,262
	$8,030,297	$7,678,869

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

The Company and its subsidiaries, in their regular conduct of business, have entered into transactions with associates and other related parties principally consisting of advances and reimbursement of expenses and sales and purchases of goods on an arms basis and at current market prices at the time of the transactions.

No other transaction was undertaken by the Company in which any director or executive officer was involved or had a direct or indirect material interest.

To date, there are no complaints received by the Company regarding related-party transactions.

J. RIGHTS OF STOCKHOLDERS

1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

Quorum Required	*Regular general meetings and duly called special meeting shall be constituted and pass resolutions, provided, over one-half (1/2) of the subscribed and outstanding capital is present or represented except in cases where the Corporation Law requires a greater number.*

(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	Voting
Description	*The vote of stockholders representing a majority of the issued and outstanding capital stock entitled to vote is required.* *The Method of Voting is straight and cumulative.* *In all items for approval, each share of stock entitles its registered owner to one vote.* *In case of election of directors, each common stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many nominees as he shall see fit, provided that the whole number of votes cast by him shall not exceed the number of shares owned by him multiplied by the total number of directors to be elected.* *Voting will be acclamation and will be counted by shares and not per capita. For the purpose of electing directors, voting will be by ballot only if demanded by a stockholder, if there are more nominees than the number of directors to be elected and if it is necessary to determine the winning nominees. The external auditor will validate the ballots.*

(c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

Stockholders' Rights under The Corporation Code	**Stockholders' Rights <u>not</u> in The Corporation Code**
Voting Right	*None*
Pre-emptive Right	
Right of Inspection	

Right of Information	
Right to Dividends	
Appraisal Right	

Dividends

Cash Dividends – Common Shares

DECLARATION DATE	PAYMENT DATE	RATE	RECORD DATE
February 17, 2014	March 19, 2014	USD 0.00140/ ₱0.06319	March 3, 2014
February 17, 2015	March 19, 2015	USD 0.0042/ ₱0.1868	March 4, 2015

Cash Dividends – Preferred Shares

DECLARATION DATE	PAYMENT DATE	RATE	RECORD DATE
December 10, 2012	February 21, 2013	8.25% p.a.	February 8, 2013
December 10, 2012	May 21, 2013	8.25% p.a.	May 8, 2013
December 10, 2012	August 23, 2013	8.25% p.a.	August 9, 2013
December 10, 2012	November 22, 2013	8.25% p.a.	November 11, 2013
November 29, 2013	February 21, 2014	2.90% p.a.	February 7, 2014
November 29, 2013	May 21, 2014	2.90% p.a.	May 7, 2014
November 29, 2013	August 22, 2014	2.90% p.a.	August 7, 2014
November 29, 2013	November 21, 2014	2.90% p.a.	November 7, 2014
December 2, 2014	February 20, 2015	2.90% p.a.	February 6, 2015
December 2, 2014	May 22, 2015	2.90% p.a.	May 8, 2015
December 2, 2014	August 24, 2015	2.90% p.a.	August 7, 2015
December 2, 2014	November 25, 2015	2.90% p.a.	November 11, 2015

(d) Stockholders' Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

Measures Adopted	Communication Procedure
The Chairman of the Board encourages a question and answer forum from the participants of the stockholder's meeting and these are documented in the minutes of the meeting.	

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
   a. Amendments to the company's constitution
   b. Authorization of additional shares
   c. Transfer of all or substantially all assets, which in effect results in the sale of the company

   Shareholders actively participate in corporate decisions mentioned by casting their votes. Resolutions are passed in regular general meetings and duly called special meeting that is constituted, provided, over one-half (1/2) of the subscribed and outstanding capital is present or represented except in cases where the Corporation Law requires a greater number.

3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up?

a. Date of sending out notices:

Written notice of each stockholders' meeting stating the date, time and place and, for a special meeting, the purpose(s) for the meeting is called, shall be given by the Corporation not less than fifteen (15) business days prior to the date of the meeting to each stockholder of record, to the stockholder's address as it appears on the record of the stockholders of the Corporation. The written notice may be in paper, digital or electronic medium.

b. Date of the Annual/Special Stockholders' Meeting:

April 6, 2015

4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

The relevant and substantial comments and queries of the stockholders were as follows:

Mr. Turner stated that he voted against three items in the agenda and asked why his votes were not reflected in the results presented. Mr. Hermosura replied that the tabulation is not continuous and the final tally of votes will be reflected in the minutes of the meeting.

Mr. Guillermo Gili congratulated the Management for the Corporation's net income growth. He asked whether the Corporation may be compared with Aeunix. The Chairman replied that these companies cater to different markets. Mr. Tan added that both are very successful Filipino companies.

5. Result of Annual/Special Stockholders' Meeting's Resolutions

Resolution	Approving	Against	Abstaining
Approval of Minutes of previous meeting	*99.99%*	-	*0.0008%*
Annual Report	*99.99%*	*0.006%*	-
Ratification of all acts and resolutions of the Board of Directors and Management adopted during the previous year	*99.99%*	-	*0.0001%*
Amendment of the Third Articles of Incorporation to state the specific principal office address in compliance with SEC Memorandum Circular No. 6 (2014)	*100%*	-	-
Election of Directors	*99.85% - 99.86%*	*0.00%*	-
Election of Auditors and fixing of their remuneration	*99.99%*	*0.00001%*	-

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:

April 7, 2015.

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

Modifications	Reason for Modification
None.	

(f) Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	All	April 6, 2015	By Poll	78.45434%	0.09462%	78.54896%
Special	Not applicable					

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

Yes. The company adopted this policy for its Annual Stockholders' Meeting commencing in 2014.

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.

Yes.

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

	Company's Policies
Execution and acceptance of proxies	*Stockholders and members may vote in person or by proxy in all meetings of stockholders or members. Proxies shall in writing, signed by the stockholder or member and filed before the scheduled meeting with the corporate secretary.*
Notary	*A proxy need not be notarized.*
Submission of Proxy	*Proxies shall be submitted not later than ten (10) days prior to the date of the stockholders meeting.*
Several Proxies	*Where the corporation receives more than one proxy from the same stockholder and they are all undated, the postmark dates shall be considered. If the proxies are mailed on the same date, the one bearing the latest time of day of postmark is counted. If the proxies are not mailed, then the time of their actual presentation is considered. That which is presented last will be recognized.*
Validity of Proxy	*A proxy shall be valid only for the meeting for which it is intended.*
Proxies executed abroad	*Proxies executed abroad shall be duly authenticated by the Philippine Embassy or Consular Office.*
Invalidated Proxy	*A proxy shall not be invalidated on the ground that the stockholder who executed the same has no signature card on file with the Corporate Secretary or Transfer Agent, unless it can be shown that he/she refused to submit the signature card despite written demand to that effect duly received by the said stockholder at least ten (10) days before the annual stockholders meeting and election.*
Validation of Proxy	*In the validation of proxies, a special committee of inspectors shall be designated or appointed by the Board of*

	Directors which shall be empowered to pass on the validity of proxies. Any dispute that may arise pertaining thereto, shall be resolved by the Securities and Exchange Commission upon formal complaint filed by the aggrieved party, or by the SEC officer supervising the proxy validation process.
Violation of Proxy	*Any violation of these guidelines shall be subject to the administrative sanctions provided for under Section 144 of the Corporation Code; Section 56 of the Revised Securities Act and PD 902-A, as amended.*

(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

Policies	**Procedure**
Written notice of each stockholders' meeting stating the date, time, and place and, for a special meeting, the purpose(s) for which the meeting is called, shall be given by the Corporation not less than 15 business days prior to the date of the meeting to each stockholder of record, to the stockholder's address as it appears on the record of stockholders of the Corporation. The written notice may be in paper, digital or electronic medium. *The notice of any meeting of the stockholders shall be deemed to have been given at the time when delivered personally or deposited in the post office, or sent electronically or by email and addressed as herein provided.* *The Company may provide information or documents to a stockholder by email or by posting the information or documents on the website of the Company or another electronic network; provided that, a separate notice is given to the stockholder of such posting. In case the Company provides information or documents by electronic posting, the information or documents shall be deemed delivered or given upon the latter of (i) the posting of the information or documents or (ii) the giving of a separate notice to the stockholder of such specific posting.* *The Company shall give notice and provide information or documents electronically, as provided, above, only to stockholders who have consented to receive notices, information, or documents by e-mail or electronic transmission. A stockholder shall be deemed to have consented to receiving notices, information or documents electronically if he has provided an e-mail or electronic address to the Company and has not notified the Company in writing that he requires notices, information or documents to be given him in physical paper form.*	

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	*489*
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	*March 12, 2015*
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	*March 12, 2015*
State whether CD format or hard copies were distributed	*CD format, hard copies and electronic mail*
If yes, indicate whether requesting stockholders were provided hard copies	*Yes, stockholders who wished to receive paper copies of the Definitive Information Statement were provided with paper copies.*

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	*Yes*
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	*Yes*
The auditors to be appointed or re-appointed.	*Yes*
An explanation of the dividend policy, if any dividend is to be declared.	*Yes*
The amount payable for final dividends.	*Yes*
Documents required for proxy vote.	*Yes*

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

Policies	Implementation
The minority shareholders shall have the right to propose the holding of meetings and the items in the agenda of the meeting that relate directly to the business of the Corporation and are for legitimate business purposes. *In accordance with existing law and jurisprudence, minority shareholders shall have access to any and all information relating to matters for which the Management is accountable for and to those relating to matters for which the Management should include such information and, if not included, then the minority shareholders can propose to include such matters in the agenda of the stockholders' meeting; provided always that, this right of access is conditioned upon the requesting shareholder's having a legitimate purpose for such access.*	

(b) Do minority stockholders have a right to nominate candidates for board of directors?

Yes. All stockholders have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.

Directors may be removed with or without cause, but directors shall not be removed without cause if it will deny minority shareholders representation in the Board.

K. INVESTORS RELATIONS PROGRAM

1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

IMI's external announcements like press releases emanate from the Marketing Communications office, which is part of the Strategic Planning and Marketing Group. External announcements are approved by the IMI President and CEO as well as relevant Management Committee members. An important external communication policy that the company has is its policy on press releases, advertisements and marketing collaterals. It states that IMI adheres to truth in press releases, advertisements, and marketing collaterals, and that it does not engage in unethical practices.

The Human Resource Division handles internal communications.

2) **Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.**

	Details
(1) Objectives	*To inform stakeholders of recent company developments, financial performance, and other relevant matters*
(2) Principles	*IMI adheres to the values of truth and transparency*
(3) Modes of Communications	*IMI communicates through letters, email, disclosures, press releases, etc.*
(4) Investors Relations Officer	*Anthony Raymond P. Rodriguez* *OIC, IMI Investor Relations Unit* *Tel. No. 756-6840 local 5300* *Email: ir@global-imi.com*

3) **What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?**

In case of merger or consolidation, it is the duty of the directors to promote shareholder rights, remove impediments to the exercise of shareholder rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

KPMG.

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.

Initiative	Beneficiary
IMI continues to take part in social responsibility projects such as blood donation drive; medical outreach; and donation to Children's Hour, a foundation that helps underprivileged Filipino schoolchildren. The company has also stepped up its engagement with sustainability through its Environment, Health, and Safety Program; green manufacturing technologies; and clean technology business ventures. These programs embed sustainability in IMI's business model, which seeks to keep up worldwide efforts to facilitate solutions through the design and creation of products that improve the quality of life.	

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	Process	Criteria
Board of Directors	*The Company has a Board Self-Assessment survey in place to evaluate the performance and achievements of the members of its Board of Directors.*	
Board Committees		
Individual Directors		
CEO/President		

N. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees

<table>
<tr><th>Violations</th><th>Sanctions</th></tr>
<tr><td colspan="2">To strictly observe and implement the provisions of the Company's Corporate Governance Manual, the following penalties shall be imposed after notice and hearing, on the Corporation's directors, officers, staff, in case of violation of any of the provisions of the Manual:

• In case of first violation, the subject person shall be reprimanded;
• In case of second violation, suspension from office shall be imposed. The duration shall be at the reasonable discretion of the Board, depending on the gravity of the violation;
• For third violation, removal from office. The commission of a third violation of this manual by any member of the Board shall be a sufficient cause for removal from directorship.</td></tr>
</table>