CS-99-AF
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COVER SHEET

SEC Number 727

Company TIN 000-229-931

CENTRAL AZUCARERA DE TARLAC
(Company's Full Name)

San Miguel , Tarlac , Tarlac
Makati Office – JCS Bldg., 119 Dela Rosa St.
Legaspi Village, Makati City
(Company's Address: No., Street, City, Town/Province)

818 – 3911
(Company's Telephone Number)

June 30
(Fiscal Year Ending)
(Month/Day)

last Tuesday of January of each year
Annual Meeting

17 – Q (Quarterly Report – 1st Quarter
of the Fiscal Year 2014-15 (July to Sept. 2014)
(FORM TYPE)

(Amendment Designation, if Applicable)

(Secondary License Type, if any)

(Company Representative) (TIN) (Birth Date)

Do not fill below this line

Cashier

File Number

Central Receiving Unit

Document ID

LCU

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17 – Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2) (b) THEREUNDER

1. For the quarterly period ended **Sept. 30, 2014 (1st Quarter of Fiscal Year July 1, 2014 – June 30, 2015)**
…………………………………………………..

2. Commission identification number **727** ………………… 3. BIR Tax Identification No **000229931** ………………

CENTRAL AZUCARERA DE TARLAC
……………………………………………………………………………………………
4. Exact name of issuer as specified in its charter

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

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

San Miguel, Tarlac, Tarlac
……………………………………………………………………………………………..
7. Address of issuer's principal office Postal Code

818 – 3911
……………………………………………………………………………………………..
8. Issuer's telephone number, including area code

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

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

Title of each Class	Number of shares of common Stock outstanding and amount of debt outstanding
Common	**28, 254, 596**

……………………………………………………………………………………………..
……………………………………………………………………………………………..
……………………………………………………………………………………………..

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

Yes [**X**] No [ ]

If yes, state the name of such Stock Exchange and the classes of securities listed therein:

12. Indicate by check mark whether the registrant:

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

Yes [/**X**] No [ ]

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

Yes [**X**] No [ ]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

In compliance with the requirements of SRC Rule 68, the following financial statements of Central Azucarera de Tarlac are submitted together with this Form 17 – Q:

A. Unaudited Balance Sheet as of September 30, 2014 and Audited June 30, 2014 Balance Sheet;

B. Unaudited Statements of Income/(Loss) for the Three (3) Months Ended September 30, 2014 and 2013;

C. Unaudited Statements of Changes in Equity for the Three (3) Months Ended September 30, 2014 and 2014; and

D. Unaudited Statements of Cash Flows for the Three (3) Months Ended September 30, 2014 and 2013.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Our discussion in the foregoing sections of this report pertains to the financial condition and results of our company's operations for the three (3) months ended September 30, 2014 in which references are made to results of operations for the same period of the previous year 2013.

Furthermore, the information contained herein should be read in conjunction with the accompanying unaudited financial statements and related notes. Our financial statements, and the financial discussions below, have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS).

1. Financial Review

Revenues for the first quarter ending September 30, 2014 totaled P57,520,460.00, higher by34.44% or P14,735,353.00 from the same period of the preceding year. Increments posted in both sales volume and average selling price boosted alcohol sales for the period in review.

Alcohol sales volume grew by 29.06 % or 322,759 liters to an aggregate of 1,433,412 liters. On the other hand the average selling price rose 9.23%, from P36,74 to P40.13 per liter. Consequently, the higher total alcohol sales as mentioned above.

There was no tolling income from the distilling of outside molasses was generated for the period.

<u>Financial Highlights</u>

	As of and for the Six Months ended Sept. 30		For the FY ended June 30,
	2014	2013	2014
Profit and Loss Data (in Thousand Pesos)			
Sales Revenues………………..	57,520	40,803	988,684
Cost of Goods Sold………….	163,815	103,621	633,479
Gross Profit…………………….	(106,294)	(62,818)	355,205
Operating Expenses…………	28,887	23,981	157,100
Operating Income……………..	(135,181)	(86,799)	198,104
Net Income / (Loss)…………..	(133,164)	(88,355)	121,247
Balance Sheet Data (in Thousand Pesos)			
Total Assets………………….	2,935,344	2,866,071	3,038,512
Total Liabilities……………….	1,423,976	1,768,020	1,393,981
Total Stockholders' Equity….	1,551,368	1,098,051	1,644,531
Financial Ratios			
Gross Margin………………..	-184.8%	-154.0%	35.9%
Operating Margin……………	-235.0%	-212.7%	20.0%
Net Profit Margin……………	-232%	-217%	12%
Current Ratio……………….	0.53	0.76	0.71
Debt-Equity Ratio…………..	0.94	1.61	0.85
Return on Assets…………..	(0.045)	(0.031)	0.040
Return on Equity……………	(0.088)	(0.080)	0.074

2. Management's Discussion of the Company and its majority owned subsidiaries top five (5) key performance indicators:

As of quarter ending September 30, 2014 and quarter ending September 30, 20133, there are no comparable basis on our five (5) key performance indicators because production has not yet started as of those dates. Our milling operation normally starts on the 2nd week of November. The following are our five key performance indicators and its manner of computation.

1.) Sources of Sugar Cane Milled (in tonnage) – shows the sources of sugar cane milled in our production in terms of tonnage. Sources of Sugar Cane Milled could come from the location of the following:
    a. Hacienda Luisita Area
    b. District of Tarlac
    c. Pampanga Area
    d. Paniqui, Tarlac Area

2.) Downtime Hours – shows the hours of which factory is not in operation due to malfunction, repairs, no electricity, fortuitous events, etc.

3.) LKGTC (Lkg sugar per tons canned) – shows the recovery of milled sugar cane into 50-kg sugar produced. This is computed by dividing the Cane Sugar produce in 50-kg by the total tonnage of cane milled.

4.) Tons Cane per hour – shows the sugar cane milled per hour. This is computed by dividing the milled sugar cane by the no. of hours in operation of a particular period. The no. of hours in operation is computed by multiplying the number of milling days by 24 hours operation.

5.) Energy Used per Tons Cane – shows the electricity used per milled cane in a particular period. This is computed by dividing the total kilowatt hour used (kwh) of electricity by total sugar cane milled in a given period.

3. Management's Discussion and analysis of material events and uncertainties known to management that would address the past and would have an impact on future operations of the following:

a. Any known trends, demands, commitments, events or uncertainties that will have a material impact on the issuer's liquidity:

   We do not see, at this point, any known trends, demand, commitments, events or uncertainties that will have a material impact on our liquidity.

b. Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation:

   We do not foresee any event that would trigger direct or contingent financial obligations including default or acceleration of any obligations.

c. Any 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:

   We do not have any material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationship of the company with consolidated entities or other persons created during the reporting period.

d. Any material commitments for capital expenditures, the general purpose of such commitments and the expected source of funds for such expenditures:

   We do not see at this point any material commitments for capital expenditures.

e. Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/ revenues/ income from continuing operations:

   We do not see at this point any known trends, uncertainties that have had or that are reasonably expected to have a material impact on net sales/revenues/income from continuing operations.

f. Any elements of income or loss that did not arise from the issuer's continuing operations:

   We do not have any elements of income or loss that did not arise from our continuing operations.

g. Any seasonal aspects that have a material effect on the financial condition or results of operations.

   We do not see at this point any seasonal aspects that have a material effect on the financial condition or result of operations.

In view of the current global financial condition, the company hereby comply the following additional requirements for the preparation of its Interim Financial Report for the period ended September 30, 2014.

a.) Assess the financial risk exposure of the company and its subsidiaries particularly on currency, interest, credit, market and liquidity risks. If any changes thereof would materially affect the financial condition and results of operation of the company, provide a discussion in the report on the qualitative and quantitative impact of such risks and include a description of any enhancement in the company's risk management policies to address the same;

   Answer:
   The Company's principal financial instruments include cash, available-for-sale financial assets notes payable and due from/to related parties. 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 receivables and trade and other payables, which arise directly from its operations.

   The main risks arising from the Company's financial instruments are liquidity risk, credit risk and interest rate risk. The BOD reviews and agrees policies for managing each of these risks as summarized below:

   <u>Liquidity Risk</u>

   Liquidity risk is the risk that the Company will be unable to meet its obligation on time or at reasonable prices. The Company uses cash flow approach in managing its liquidity, in this way funding requirements under normal economic condition are met.

   The table below summarizes the maturity profile of the Company's financial liabilities as of September 30, 2014 and June 30, 2014 based on undiscounted payments:

(in thousand pesos)

	Sept-14			
	Within 30 days	1 year	Above 1 year	Total
Notes Payable (inc interest)		345,667	122,167	467,833
Financial Guarantee				
Trade	92,392			92,392
Advances from stockholders				
Accruals	109,353			109,353
Others	98,127			98,127
	299,872	345,667	122,167	767,706

	Jun-14			
	Within 30 days	1 year	Above 1 year	Total
Notes Payable (inc interest)	39,843	306,278	96,323	442,444
Financial Guarantee	27,658	304,241	829,749	1,161,649
Trade	415	172,451	25,082	197,949
Advances from stockholders		17,683		17,683
Accruals		120,452		120,452
Others		22,702		22,702
	67,917	943,810	951,155	1,962,882

Credit Risk

Credit risk is the risk that counterparty will not meet its obligation under a financial instrument leading to a financial loss. The Company imposes cash basis approach in its sales transaction to lower exposure to credit risk.

With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents and AFS financial assets, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Since the Company trades only with recognized third parties, there is no requirement for collateral.

Cash and cash equivalents and AFS financial assets - based on the credit standing or rating of the counterparty.

Receivables - High Grade receivables pertain to those receivables from customers that always pay on time or even before the maturity date. Standard Grade includes receivables in which the collections from customer are delayed caused by clearing with banks. Those receivables which are collected consistently beyond their due dates and require persistent effort from the Company are included under Substandard Grade.

Concentration Risk

Risk that the Company's receivables are focused in a particular customer, facing threats on realizability of receivables. The Company is affected by concentration of risk but is mitigated by imposing cash basis approach in its sales transaction.

Interest Rate Risk

Interest rate risk arises from the possibility that the changes in interest rates will affect the fair value of financial instruments. Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument.

The Company's financial instruments that are exposed to cash flow interest rate risk pertain mainly to its notes payable to local banks amounting to P331.5 million and P239.0 million in 2014 and 2013, respectively, which are subject to floating interest rate.

The effect on income before income tax due to possible changes in interest rates is as follows:

Increase/Decrease in Interest Rate	Effect on Income before Income Tax	
	2014	2013
+1%	(4,060,000)	(3,315,000)
-1%	4,060,000	3,315,000

There is no impact on the Company's equity other than those affecting profit and loss.

Capital Management

The Company's primary objective is to ensure that it maintains a strong credit rating and healthy capital ratios to sustain its business and maximize shareholder value. The Company manages its capital structure based on its business requirements and the economic environment.

The Company monitors capital using a gearing ratio, which is total debt divided by debt net of capital deficiency. Total debt includes notes payable and, trade and other payables. Equity includes capital stock, deficit, revaluation increment, unrealized cumulative gain on AFS financial assets and treasury stock.

(in thousand pesos)	September 2014	June 2014	September 2013
Notes Payable	467,833	416,343	565,333
Trade and Other payables (including provisions)	335,342	356,736	595,492
Total Debt	803,175	773,079	1,160,825
Equity	1,511,368	1,644,531	1,098,051
Total debt and equity	2,314,543	2,417,611	2,258,876
Gearing ratio	0.34	0.32	0.51

b.) Evaluate whether the company could provide clearer and more transparent disclosure regarding its financial instruments including but not limited to the following information:

1.) A description of the financial instruments of the company and the classification and measurement applied for each. If material in amount, provide detailed explanation on complex securities particularly on derivatives and their impact on the financial condition of the company;
2.) The amount and description of company's investments in foreign securities;
3.) The significant judgments made in classifying a particular financial instrument in the fair value hierarchy;
4.) An explanation of how risk is incorporated and considered in the valuation of assets of liabilities;

5.) A comparison of the fair values as of date of the recent interim financial report and as of date of the preceding interim period and the amount of gain/loss recognized for each of the said periods;
6.) The criteria used to determine whether the market for a financial instrument is active or inactive, as defined under PAS 39-Financial instruments.

Date of Recognition. The Company recognizes a financial asset or a financial liability in the balance sheet when it 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 is done using settlement date accounting.

Initial Recognition. Financial assets and liabilities are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit or loss (FVPL), includes transaction cost.

Categories of Financial Instruments. The Company classifies its financial instruments into the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets and loans and receivables. The Company classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity net of any related income tax benefits.

Determination of Fair Value. The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid or ask prices at the close of business on the balance sheet date, without any deductions for transaction costs. When current bid and asking prices are not available, the price of the most recent transactions provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction. For investments and all other financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include using arm’s length market transactions; reference to the current market value of another instrument, which are substantially the same; discounted cash flow analysis and other valuation models.

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

The Company’s financial instruments are loans and receivables, AFS financial assets and other financial liabilities. As of September 30, 2014, the Company has no financial assets and liabilities classified as FVPL and HTM financial instruments.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivables.

After initial measurement, loans and receivables are carried at amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognized in the "Interest income/expense" account in the statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

This category includes cash and cash equivalents and receivables of the Company.

AFS Financial Assets. AFS financial assets are those non-derivative financial assets that are designated as AFS and are not classified in any of the other categories. Management's intention is to sell the AFS financial assets when the need for cash arises. After initial measurement, AFS financial assets are measured at fair value with unrealized gains or losses recognized directly in equity until the investment is derecognized or determined to be impaired at which the time the cumulative gain or loss previously recorded in equity is recognized in the statement of income. After initial measurement, AFS financial assets are subsequently measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS financial assets are excluded, net of tax, from reported earnings and are reported as unrealized cumulative gain on AFS financial assets in the equity section of the balance sheet.

When the AFS financial assets is disposed of, the cumulative gain or loss previously recognized in equity is recognized as gain or loss on sale of AFS financial assets in the statement of income.

This category includes AFS financial assets classified as proprietary shares, and investments in listed and unlisted securities of the Company.

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. The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

This category includes trade and other payables and notes payable.

Amendment to PAS 39, "Financial Instruments: Recognition and Measurement - Eligible Hedged Items" — These amendments to PAS 39 were issued in August 2008 and become effective for financial years beginning on or after July 1, 2009. The amendment addresses the designation of a one-sided risk in a hedged item, and the designation on inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedge item.

Describe the plan of operation for the next twelve (12) months for Registrant who have not had revenues from operations in each of the last two fiscal year, or the last fiscal year and any interim period in the current year for which financial statements are furnished in the disclosure documents, shall in addition to applicable items shall provide the following information:

a.) A discussion on how long the registrant can satisfy its cash requirements and whether it will have to raise additional funds in the next twelve (12) months.

    We can satisfy our cash requirement for the next twelve (12) months until such time that our available stocks for sale are exhausted in which case we can result to raising additional funds through borrowings.

b.) A summary of any product research and development that the registrant will perform for the term of the plan.

We are continuously researching and developing the use of bio-organic fertilizer for our planter's use. This involves turning bagasse, mudpress, boiler ash and other related waste in producing sugar into bio-organic fertilizer. This development will help reduce and augment overheads of sugarcane planters by introducing bio-organic fertilizer in replacement of synthetic fertilizer. This will also lessen or eliminate waste disposal of our plant and can aid with our economic concerns.

c.) Any expected purchase or sale of plant and significant equipment.

We are not expecting any purchase or sale of plant and significant equipment at this point.

d.) Any expected significant changes in the number of employees.

We have no expected significant changes in the number of employees for the next twelve (12) months.

PART II – OTHER INFORMATION

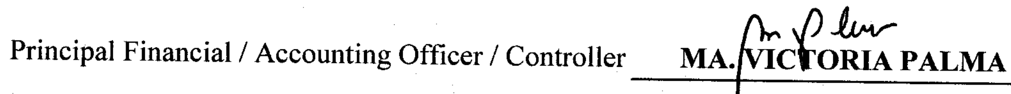
There is no information not previously reported on SEC Form 17 – C

SIGNATURES

Pursuant to the requirements of the Securities Regulation Commission, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant **CENTRAL AZUCARERA DE TARLAC**

Signature and Title **WELLERITA D. AGUAS**
Assistant Vice President - Finance



Principal Financial / Accounting Officer / Controller **MA. VICTORIA PALMA**

Signature and Title Chief Accountant

Date : November 12, 2014

PART III – OTHER MATTERS

The following are the stockholders owning more than 5.0% of the Issued and Outstanding Capital Stock of Central Azucarera de Tarlac as of September 30, 2014:

Title of Class	Name and Address	Amount & Nature of Ownership Record/Beneficial	Percentage
Common	Luisita Trust Fund JCS Bldg. 119 dela Rosa St. Legaspi Vil., Mkti. City	4,734,492 "b"	16.76
Common	Jose Cojuangco & Sons, Inc. JCS Bldg. 119 dela Rosa St. Legaspi Vil., Mkti. City	7,855,828 "b"	27.80
Common	Tarlac Distillery Corp. JCS Bldg. 119 dela Rosa St. Legaspi Vil., Mkti. City	1,586,382 "b"	5.61

Luisita Trust Fund ***is a retirement benefit program of the regular and permanent employees of the registrant and its affiliates which is wholly financed by the following contributing companies : Central Azucarera de Tarlac, Hacienda Luisita, Inc., Luisita Marketing Corporation, Jose Cojuangco & Sons, Inc., Tarlac Development Corporation and Tarlac Distillery Corporation. Mr. Jose Cojuangco Jr., Chairman of the Board of Trustees, directs the voting and disposition of its securities with the registrant.***

Jose Cojuangco & Sons, Inc., ***is the General Managers of the registrant. Mr. Jose Cojuangco Jr, Chairman of the Board of Directors and President, directs the voting and disposition of the securities with the registrant.***

Tarlac Distillery Corporation , ***is the marketing arm of the registrant for its alcohol, molasses and liquefied carbon dioxide. Mr. Jose Cojuangco, Jr., President, directs the voting and disposition of the securities with the registrant.***

CENTRAL AZUCARERA DE TARLAC

UNAUDITED

INTERIM FINANCIAL STATEMENTS
(WITH COMPARATIVE STATEMENTS)

SEPTEMBER 30, 2014

(IN THOUSAND PESOS)

CENTRAL AZUCARERA DE TARLAC
BALANCE SHEET
SEPTEMBER 31, 2014 AND JUNE 30, 2014
(In Thousand Pesos)

	UNAUDITED SEPT. 31 2014	AUDITED 30-Jun 2014
ASSETS		
CURRENT ASSETS		
CASH	61,035	145,718
ACCOUNTS RECEIVABLE – NET	193,205	169,090
INVENTORIES	85,184	129,733
OTHER CURRENT ASSETS	6,714	16,813
TOTAL CURRENT ASSETS	346,138	461,353
NON CURRENT ASSETS		
AVAILABLE FOR SALE FINANCIAL ASSETS	86,537	86,537
PROPERTY, PLANT & EQUIPMENT-NET	2,290,884	2,291,857
RETIREMENT ASSET	189,810	189,810
OTHER NON-CURRENT ASSETS	21,976	8,955
TOTAL NON-CURRENT ASSETS	2,589,206	2,577,158
TOTAL ASSETS	2,935,344	3,038,512
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
TRADE AND OTHER PAYABLES	299,873	321,368
CURRENT PORTION OF NOTES PAYABLE	345,667	327,677
INCOME TAX PAYABLE	1,699.47	1,699
TOTAL CURRENT LIABILITIES	647,239	650,744
NON-CURRENT LIABILITIES		
DEFERRED TAX LIABILITY	619,201	619,201
NOTES PAYABLE – NET OF CURRENT PORTION	122,167	88,667
OTHER NONCURRENT LIABILITIES	35,369	35,369
TOTAL NON-CURRENT LIABILITIES	776,737	743,236
STOCKHOLDERS' EQUITY		
CAPITAL STOCK	282,546	282,546
RETAINED EARNINGS (DEFICIT)	-325,068	-191,904
REVALUATION INCREMENT IN LAND	1,365,157	1,365,157
UNREALIZED CUMULATIVE GAIN ON AVAILABLE FOR SALE FINANCIAL ASSETS	59,959	59,959
REMEASUREMENT GAINS (LOSS) ON DEFINED BENEFIT LIABILITY	128,781	128,781
COST OF 720 SHARES OF STOCK IN TREASURY	-7.2	-7.2
TOTAL STOCKHOLDERS' EQUITY	1,551,368	1,644,531
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	2,935,344	3,038,512

CENTRAL AZUCARERA DE TARLAC
STATEMENTS OF PROFIT / (LOSS)
FOR THE QUARTER ENDED SEPTEMBER 31, 2014 AND 2013
(in Thousand Pesos)

	UNAUDITED 3 MONTHS ENDED	
	30-Sep 2014	30-Sep 2013
REVENUES		
Net sales of sugar & by products	57,520	40,803
Tolling fees	0	0
	57,520	40,803
COST OF GOODS SOLD & SERVICES		
Cost of goods sold	147,653	89,290
Cost of tolling	16,161	14,331
	163,815	103,621
GROSS INCOME	-106,294	-62,818
OPERATING EXPENSES	28,887	23,981
INCOME (LOSS) FROM OPERATIONS	(135,181)	(86,799)
INTEREST & OTHER CHARGES – NET	2,017	(1,556)
INCOME (LOSS) BEFORE INCOME TAX	(133,164)	(88,355)
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current	-	-
Deferred	-	-
	-	-
NET INCOME (LOSS)	(133,164)	(88,355)
INCOME / (LOSS) PER SHARE	(4.71)	(3.13)

CENTRAL AZUCARERA DE TARLAC
STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE QUARTER ENDED SEPTEMBER 31, 2014 AND 2013
(in Thousand Pesos)

	UNAUDITED 3 MONTHS ENDED	
	UNAUDITED 3 MONTHS ENDED	
	30-Sep 2014	30-Sep 2013
NET LOSS	(133,164)	(88,355)
OTHER COMPREHENSIVE INCOME	0	0
TOTAL COMPREHENSIVE INCOME (LOSS)	(133,164)	(88,355)

CENTRAL AZUCARERA DE TARLAC
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
SEPTEMBER 31, 2014 AND 2013
(In Thousand Pesos)

	UNAUDITED SEPT. 30 2014	UNAUDITED SEPT. 30 2013
CAPITAL STOCK – P10.00 PAR VALUE		
AUTHORIZED-40,000,000 SHARES		
ISSUED – 28,254,596 SHARES	282,546	282,546
RETAINED EARNINGS		
UNAPPROPRIATED		
BALANCE AT BEGINNING OF YEAR	(191,904)	(506,284)
NET (LOSS)	(133,164)	(76,188)
BALANCE AT END OF YEAR	(325,068)	(582,472)
CUMULATIVE UNREALIZED GAIN ON AVAILABLE-FOR- SALE FINANCIAL ASSETS	59,959	59,366
REMEASUREMENT GAINS (LOSS) ON DEFINED BENEFIT LIABILITY	128,781	
REVALUATION INCREMENT IN LAND AND LAND IMPROVEMENTS	1,365,157	1,211,857
	1,553,897	1,271,223
COST OF 720 SHARES OF STOCK IN TREASURY	(7)	(7)
	1,551,368	971,290

CENTRAL AZUCARERA DE TARLAC

STATEMENTS OF CASH FLOWS

FOR THE QUARTER ENDING SEPTEMBER 31, 2014 AND 2013

(In Thousand Pesos)

	UNAUDITED FROM OCT. 1 TO	
	SEPT. 30 2014	**SEPT. 30 2013**
	(3 months)	
CASH FLOWS FROM OPERATING ACTIVITIES		
INCOME / (LOSS) BEFORE INCOME TAX	(133,164)	(88,354)
ADJUSTMENTS FOR:		
INTEREST EXPENSE	4,229	4,715
INTEREST INCOME	(120)	(29)
DEPRECIATION AND AMORTIZATION	12,625	14,089
OPERATING INCOME (LOSS) BEFORE WORKING CAPITAL CHANGES	(116,431)	(69,580)
DECREASE (INCREASE) IN:		
ACCOUNTS RECEIVABLE	65,441	(11,221)
INVENTORIES	44,549	34,506
OTHER CURRENT ASSETS	10,100	4,794
INCREASE (DECREASE) IN:		
ACCTS. PAYABLE & ACCRUED EXPENSES	(21,495)	15,996
OTHER NONCURRENT LIABILITIES	0	(69,504)
CASH GENERATED FROM /USED FOR OPERATIONS	(17,836)	(95,009)
INCOME TAX PAID		
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(17,836)	(95,009)
CASH FLOWS FROM INVESTING ACTIVITIES		
DISPOSALS OF (ADDITIONS TO) PPE	(11,651)	(16,358)
DECREASE (INCREASE) IN:		
DUE FROM RELATED PARTIES	(89,556)	
OTHER NON CURRENT ASSETS	(13,021)	(13,259)
INTEREST RECEIVED	120	29
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(144,108)	(29,588)
CASH FLOWS FROM FINANCING ACTIVITIES		
PAYMENTS OF:		
NOTES PAYABLE	(31,510)	(7,500)
INTEREST	(4,229)	(4,713)
PROCEEDS FROM NOTES PAYABLE	83,000	173,000
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	47,261	160,787
NET INCREASE (DECREASE) IN CASH	(84,683)	36,191
CASH, BEGINNING	145,718	81,403
CASH, ENDING	61,035	117,594

1. Basis of Preparation and Statement of Compliance

Basis of Preparation
The financial statements of the Company have been prepared on the historical cost basis, except for land under "Property, plant and equipment" account that has been measured at revalued amount and investment in listed shares of stock under "Available-for-sale (AFS) financial assets" account that have been measured at fair value. The financial statements are presented in Philippine peso (Peso) unit, which is the Company's functional currency.

All amounts are rounded to the nearest thousand pesos, except when otherwise indicated.

Statement of Compliance
The accompanying financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS also includes Philippine Accounting Standards (PAS), including Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) by the Financial Reporting Standards Council (FRSC).

2. Summary of Significant Changes in Accounting Policies and Disclosures

Changes in Accounting Policies
The following are the new and amended PAS which were adopted by the Company beginning July 1, 2012. Unless otherwise indicated, the adoption of the following standards did not have significant impact on the financial statements.

PAS 1, *Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (OCI) (Amendments)*, is effective for annual periods beginning on or after July 1, 2012. The amendments to PAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendments did not affect the Company's presentation and have no impact on the Company's financial position or performance.

PAS 12, *Income Taxes (Amendment) – Deferred Tax: Recovery of Underlying Assets*, is effective for annual periods beginning on or after January 1, 2012. It clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in PAS 40, Investment Property, should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16, Property, Plant and Equipment, always be measured on a sale basis of the asset.

Future Changes in Accounting Policies
The Company did not early adopt the following new standards, amendments and improvements to PFRS and Philippine Interpretations that have been approved but are not yet effective. The Company does not expect these changes to have a significant impact on its financial statements unless otherwise indicated.

- PAS 19, *Employee Benefits (Revised)*, will become effective for annual periods beginning on or after January 1, 2013. Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. Once effective, the Company has to apply the amendments retroactively to the earliest period presented.

  The Company reviewed its existing employee benefits and determined that the amended standard has significant impact on its accounting for retirement benefits. The Company obtained the services of an external actuary to compute the impact of adoption of the standard to its financial statements.

- PAS 27, *Separate Financial Statements* (as revised in 2011), will become effective for annual periods beginning on or after January 1, 2013. As a consequence of the issuance of the new PFRS 10, *Consolidated Financial Statements,* and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements.

- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011), will become effective for annual periods beginning on or after January 1, 2013. As a consequence of the issuance of the new PFRS 11 and PFRS 12, PAS 28 has been renamed as PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates.

- PAS 32, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial liabilities (Amendments)*. The amendments to PAS 32 are to be applied retrospectively for annual periods beginning on or after January 1, 2014. These amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to offset" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. While the amendment is expected not to have any impact on the net assets of the Company, any changes in offsetting is expected to impact leverage ratios and regulatory capital requirements.

- PFRS 1, *Government Loans*, will become effective for annual periods beginning on or after January 1, 2013. The amendment requires first-time adopters to apply the requirements of PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, prospectively to government loans existing at the date of transition to PFRS. However, entities may choose to apply the requirements of PFRS 9, *Financial Instruments: Recognition and Measurement* (or PAS 39, *Financial Instruments: Recognition and Measurement,* as applicable) and PAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan.

- PFRS 7, *Financial instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments)*. The amendments to PFRS 7 are to be applied retrospectively for annual periods beginning on or after January 1, 2013. These amendments require an entity to disclose information about rights of offset and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or "similar agreement", irrespective of whether they are offset in accordance with PAS 32. The

amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

a) The gross amounts of those recognized financial assets and recognized financial liabilities.
b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the balance sheet.
c) The net amounts presented in the balance sheet.
d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:

   i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32.
   ii. Amounts related to financial collateral (including cash collateral).

e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

- PFRS 9, *Financial Instruments: Classification and Measurement*, will become effective for annual periods beginning on or after January 1, 2015. PFRS 9, as issued in 2010, reflects the first phase of the work on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. In subsequent phases, hedge accounting and impairment of financial assets will be addressed with the completion of this project expected on the first half of 2012. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

- PFRS 10, *Consolidated Financial Statements,* and PAS 27, *Separate Financial Statements*, will become effective for annual periods beginning on or after January 1, 2013. PFRS 10 replaces the portion of PAS 27 that addresses the accounting for consolidated financial statements. It also includes the issues raised in Philippine Interpretation Standing Interpretations Committee (SIC) - 12, *Consolidation – Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27.

- PFRS 11, *Joint Arrangements,* and PAS 28, *Investments in Associates and Joint Ventures.* PFRS 11 replaces PAS 31, *Interests in Joint Ventures*, and Philippine Interpretation SIC-13, *Jointly Controlled Entities – Non-monetary Contributions by Venturers*. PFRS 11 and PAS 28 (amended in 2011) will become effective for annual periods beginning on or after January 1, 2013. The new standard focuses on the nature of the rights and obligations arising from the arrangement. It removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. As a consequence, PAS 28 was amended and renamed as PAS 28, *Investments in Associates and Joint Ventures*, to describe the application of the equity method to investments in joint ventures in addition to associates.

- PFRS 12, *Disclosure of Interests in Other Entities*, will become effective for annual periods beginning on or after January 1, 2013. PFRS 12 includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the

disclosures that were previously included in PAS 31 and PAS 28, *Investments in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.

- PFRS 13, *Fair Value Measurement*, will become effective for annual periods beginning on or after January 1, 2013. PFRS 13 establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. The Company is currently assessing the impact that this standard will have on its financial statements.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by International Accounting Standards Board and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*, becomes effective for annual periods beginning on or after January 1, 2013. This interpretation applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs") and provides guidance on the recognition of production stripping costs as an asset and measurement of the stripping activity asset.

- Annual Improvements to PFRS 2009-2011 Cycle
  The Annual Improvements to PFRS (2009-2011 Cycle) contain non-urgent but necessary amendments to PFRS. The amendments are applicable to annual periods beginning on or after January 1, 2013. Earlier application is permitted.

  - PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*
    The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statements of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*.

  - PAS 1, *Presentation of Financial Statements - Clarification of the Requirements for Comparative Information*
    The amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third

balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. The need for amendments affects disclosures only and will have no impact on the Company's financial position or performance.

- PAS 16, *Property, Plant and Equipment - Classification of Servicing Equipment*
The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The Company is currently assessing the impact of the amendment in its financial statements.

- PAS 32, *Financial Instruments: Presentation - Tax Effects of Distributions to Holders of Equity Instruments*
The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*.

- PAS 34, *Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities*
The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The Company is currently assessing the impact of the amendment in its financial statements.

3. Summary of Significant Accounting and Financial Reporting Policies

Cash
Cash includes cash on hand and in banks.

Financial Assets
Initial Recognition and Measurement. Financial assets within the scope of PAS 39 are classified as financial assets at fair value through profit or loss (FVPL), loans and receivables, held-to-maturity (HTM) investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

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

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

The Company's financial assets include cash, receivables and AFS financial assets. The Company has no financial assets classified at FVPL and HTM investments as at September 30, 2014 and 2013.

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

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such

financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization as well as the losses arising from impairment is included in the “Interest income” account in the statement of income. Loans and receivables are included in current assets if maturity is within 12 months from the balance sheet date. Otherwise, these are classified as noncurrent assets.

This category includes cash and receivables.

AFS Financial Assets. AFS financial assets include equity securities. Equity investments classified as AFS are those, which are neither classified as held for trading nor designated at FVPL.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the “Unrealized gain (loss) on available-for-sale financial assets” account, until the investment is derecognized, at which time the cumulative gain or loss is recognized in the “Gain or loss on sale of available-for-sale investments” account in the statement of income, or determined to be impaired, at which time the cumulative loss is recognized in the statement of income. Dividends earned on holding AFS equity instruments are recognized in the statement of income as dividend income when the right of the payment has been established.

AFS financial assets whose fair value cannot be reliably measured are measured at cost less any impairment. If a reliable measure of fair value subsequently becomes available, the asset is measured at that fair value, and the gain or loss is recognized in the statement of comprehensive income, provided it is not impaired. If a reliable measure ceases to be available, it should thereafter be measured at ‘cost’, which is deemed to be the fair value on that date. Any gain or loss previously recognized in other comprehensive income will remain in equity until the asset has been sold, otherwise disposed of or impaired, at which time it should be reclassified to the statement of income.

The Company evaluated its AFS financial assets whether the ability and intention to sell them in the near term is still appropriate. When the Company is unable to trade these financial assets due to inactive markets and management’s intent significantly changes to do so in the foreseeable future, the Company may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables or HTM investments is permitted when the financial asset meets the definition of loans and receivables and HTM investments, respectively, and the Company has the intent and ability to hold these assets for the foreseeable future or maturity. For a financial asset reclassified out of the AFS category, any previous gain or loss on that asset that has been recognized in the statement of comprehensive income is amortized in the statement of income over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in the statement of comprehensive income is reclassified to the statement of income.

This category includes AFS financial assets classified as proprietary shares and investments in listed and unlisted securities.

Derecognition of Financial Assets

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

- the rights to receive cash flows from the asset have expired; or

- the Company has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

Impairment of Financial Assets

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

Assets Carried at Amortized Cost. If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original EIR (i.e., the EIR computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR. The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognized in the statement of income.

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the statement of income. Interest income continues to be accrued on the reduced carrying amount based on the original EIR of the asset. Loans together with the associated

allowance are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Company. If a future write-off is later recovered, the recovery is recognized in the statement of income under "Other income" account. Any subsequent reversal of an impairment loss is recognized in the statement of income under "Provision for (reversal of) impairment losses" account, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

In relation to trade, planters' receivables, due from related parties and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through the use of an allowance account. Impaired receivables are written off when they are assessed as uncollectible.

AFS Financial Assets. If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) less any impairment loss previously recognized in the statement of income, is transferred from equity to the statement of income. Reversals in respect of equity instruments classified as AFS are not recognized in statement of income.

The Company treats AFS financial assets as impaired when there has been a significant and prolonged decline in the fair value below its costs or where there are objective evidence that impairment exists. In addition, the Company evaluates other factors including normal volatility in share prices for quoted securities and the future cash flows and discounted factors for unquoted securities.

Financial Liabilities

Initial Recognition and Measurement. Financial liabilities within the scope of PAS 39 are classified as financial liabilities at FVPL, other liabilities at amortized costs, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

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

The Company's financial liabilities include notes payable, trade payables, due to related parties, accruals and other payables. As at September 30, 2014 and 2013 the Company has no financial liabilities classified as financial liabilities at FVPL and derivatives designated as hedging instruments in an effective hedge.

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 recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the EIR method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs. Gains and losses are recognized in the statement of income when the liabilities are derecognized as well as through the EIR amortization process.

This category includes notes payable, trade payables, due to related parties, accruals and other payables.

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

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

Fair Value of Financial Instruments
The fair value of financial instruments that are traded in active markets at each balance sheet date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs at the close of business on the balance sheet date. When current bid prices and asking prices are not available, the prices of the most recent transaction provide evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

Fair Value Hierarchy
As at September 30, 2014, the Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

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

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

The Company's financial assets carried at fair value as at September 30, 2014 and June 30, 2014 based on Level 1 comprise investment in listed shares of stock amounting to ₱0.8 million and ₱0.8 million, respectively.

As at September 30, 2014, the Company has no financial instruments carried at fair value which is based on Levels 2 and 3.

There was no transfer between Level 1 and 2 fair value measurements and no transfer into and out of Level 3 fair value measurement in 2014 and 2013.

Inventories
Inventories are valued at the lower of cost and net realizable value (NRV). Cost is determined using the weighted average method for raw sugar, alcohol, yeast, molasses and carbon dioxide, and using the moving average method for spare parts and supplies. NRV for raw sugar, alcohol, yeast, molasses and carbon dioxide is the selling price in the ordinary course of business less costs of

completion, marketing and distribution. NRV of spare parts and supplies is the current replacement cost.

Creditable Withholding Tax (CWT)
CWT is recognized for the amount of withholding tax on certain income tax payment of the payor to the Company, and is creditable against the income tax due of the Company.

Property, Plant and Equipment
Property, plant and equipment, except land, are stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and amortization and impairment in value, if any. Following initial recognition at cost, land is carried at revalued amount, which is the fair value at the date of the revaluation. Valuations are performed with sufficient regularity enough to ensure that the fair value of revalued assets does not differ materially from its carrying amount.

Any revaluation surplus is credited to the "Revaluation increment" account included in the equity section of the balance sheet, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in the statement of comprehensive income, in which case, the increase is recognized in the statement of comprehensive income. A revaluation deficit is recognized in the statement of comprehensive income, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the asset revaluation reserve.

The initial cost of property, plant and equipment comprises its purchase price and any directly attributable costs 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 operations, such as repairs and maintenance and overhaul costs, are normally charged to operations in the period 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.

Cost also includes any asset retirement obligation and interest on borrowed funds used. When assets are sold or retired, their costs and accumulated depreciation, amortization and impairment losses, if any, are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statement of income of such period.

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

Machinery and equipment	5–10 years
Buildings and improvements	5–15 years
Land improvements	5–15 years
Furniture, fixtures and equipment	5 years
Transportation equipment	5 years
Communication and utility systems	5 years
Roads and bridges	10 years
Agricultural machinery and equipment	5–7 years

The useful life of each of the property, plant and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice and experience with similar assets.

The assets' residual values, useful lives and depreciation and amortization method are reviewed, and adjusted if appropriate, at each financial year-end.

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

Fully depreciated property, plant and equipment are retained in the accounts until they are no longer in use.

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

Impairment of Nonfinancial Assets
The Company assesses at each balance sheet date whether there is an indication that property, plant and equipment and other noncurrent assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. The asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Any impairment loss is recognized in the statement of income in those expense categories consistent with the function of the impaired asset.

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

Customers' Advances
Customers' advances are recognized when cash is received from customers for services to be rendered or for goods to be delivered in the future.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment

of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

<u>Equity</u>

Capital Stock

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

Deficit

This pertains to accumulated losses from the results of the Company's operations.

Treasury Shares

The Company's equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the statement of income on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration is recognized in the "Additional paid-in capital" account in the balance sheet.

Revaluation Increment

Any revaluation increment is credited to the asset revaluation increment in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in the statement of comprehensive income, in which case, the increase is recognized in the statement of comprehensive income. A revaluation deficit is recognized in the statement of comprehensive income, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve.

<u>Revenue</u>

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Sales are measured at the fair value of the consideration received, net of discounts and returns. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Company has concluded that it is acting as principal in all of its revenue arrangements.

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

Sale of Sugar and By-products. Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer.

Tolling Fee. Revenue is recognized when services have been rendered.

Interest Income. Revenue is recognized as the interest accrues, taking into account the effective yield on the asset.

<u>Cost of Goods Sold and Tolling Services</u>

These are the costs that are directly incurred upon processing of the Company's products and rendering of the Company's tolling services. These are recognized when the related assets are sold and the related services are rendered.

<u>Operating Expenses</u>

These are expenses that are related to cost of administering and selling functions of the Company. These expenses are recognized in the Company's books when incurred.

Income Taxes

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

Deferred Income Tax. Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting 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 income tax assets are recognized for all deductible temporary differences and carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax and net operating loss carryover (NOLCO), 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 credits and tax losses can be utilized except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting 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 income 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 income 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 asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that sufficient future taxable profits will allow the deferred income tax asset to be recovered.

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

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

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

Value-added Tax (VAT). Revenue, expenses and assets are recognized net of the amount of VAT, except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the VAT is recognized 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 VAT included.

The net amount of VAT recoverable from, or payable to, the tax authority is included as part of "Other current assets" or "Trade and other payables" accounts, respectively, in the balance sheet.

Operating Leases

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the period of the lease.

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

(a) there is a change in contractual terms, other than a renewal or extension of the arrangement;

(b) a renewal option is exercised or extension is granted, unless that term of the renewal or extension was initially included in the lease term;

(c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or

(d) there is a substantial change to the asset.

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

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized.

Pension Cost

The Company has a funded, noncontributory defined benefit retirement plan, covering substantially all of its permanent employees. Pension expense is actuarially determined using the projected unit credit method. This method reflects discount rate, expected rate of return on plan assets, salary increase and average working lives of employees to the date of valuation. The portion of the actuarial gains and losses is recognized when it exceeds the corridor (10% of the greater of the

present value of obligation or market related value of the plan assets) at the previous balance sheet date, divided by the expected average remaining working lives of active plan members.

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

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

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

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 respective assets. All other borrowing costs are expensed in the period they are incurred. Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds.

Segment Information
For purposes of segment information, the Company has no other reportable segment other than the production of sugar and sugar by-products.

Earnings (Losses) Per Share
Earnings (losses) per share is computed by dividing the net income attributable to equity holders of the Company by the weighted average number of shares outstanding during the year adjusted to give retroactive effect to any stock dividends declared during the year.

Basic earnings (losses) per share is calculated by dividing the net income attributable to equity holders of the Company for the year by the weighted average number of common shares outstanding during the year.

Diluted earnings (losses) per share is computed in the same manner, adjusted for the effect of any potential dilutive shares.

When the effect of the potential shares is anti-dilutive, basic and diluted earnings (losses) per share are stated at the same amount.

Contingencies
Contingent liabilities are not recognized in the financial statements. These are disclosed in the notes to financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes to financial statements when an inflow of economic benefits is probable.

Events after the Reporting Date
Events after the reporting date that provide additional information about the Company's financial position at the balance sheet date (adjusting events), are reflected in the financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes to financial statements when material.

4. Explanatory Comments about the seasonality or cyclicality of interim operations.

For every crop year, the Milling, Distillery & Refinery operations of Central Azucarera De Tarlac starts in the month of November and usually lasts in March or April of the following year.

5. The nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidents.

Cash and Cash Equivalents

(In thousand pesos)

	Sept-14	Jun-14	Sept-13
Cash in banks and on hand	61,035	145,718	117,594
Cash equivalents	-	-	-
	61,035	145,718	117,594

The decrease in Cash amounting to P42.17M from P145.72M as of June 30, 2014 to P61.03M as of Sept. 30, 2014 represents the Company's payment of bank loans.

Aging of Accounts Receivables

(In thousand pesos)

	30-September 2014	30-June 2014
Current	20,720	51,732
Over 30 days past due	27,821	29,370
Over 60 days past due		
Over 90 days past due	152,485	95,808
Sub total	201,026	176,910
Less: Allowance for Doubtful Accounts	7,821	7,821
Net-Accounts Receivable	193,205	169,089

Inventories

(In thousand pesos)

	30-September 2014	30-June 2014
Finished Goods		
Raw Sugar	133	82
Alcohol	24,358	68,204
Materials and Supplies	60,693	61,446
Materials in Transit	-	-
Total	85,184	129,732

Property Plant and Equipment

The Company's total depreciation expense for the three months ended September 30, 2014 amounted to P12.62 million and additions amounting to P11.65 million with net decrease of P.972M in Property, plant and equipment from P2,291.85 million as of June 30, 2014 to P2,290.88 million as of September 30, 2014.

Other Non-current Assets

Increase in Other Non-current Assets of P13.02M from July 01, 2014 to September 30, 2014, is due to the recoverable deposits made to supplier.

Notes Payable

The net increase in Notes Payable of P51.49 million from P416.34 million as of June 30, 2014 to P467.88 million as of September 30, 2014 is mainly due to availment of loan from a local bank.

Related Party Transactions

Parties are considered to be related if one party has the ability, directly and 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.

The Company, in the normal course of business, has transactions with related parties. Outstanding receivables from and payables to related parties are summarized below:

(in thousand of pesos)	Sept. 2014	June 2014
Due from related parties		
Jose Cojuangco and Sons Inc.	76,684	
Tarlac Development Corporation(TDC)	57,226	45,680
Luisita Trust Fund (LTF)	17,248	17,248
Tarlac Distillery Corporation	200	
Jose Cojuangco Enterprise	132	-
Luisita Realty Corporation	420	-
Luisita Golf	373	-
CAT Realty Corporation	397,326	-
Less: Allowance	-	**-**
	152,485	**62,929**

	Sept. 2014	June 2014
Advances to directors, officers and employees	10,044	10,289
Less: Allowance	5,383	5,383
	4,661	**4,906**

Significant transactions with related parties included in the financial statements follow:

a. Pursuant to a management agreement with JCSI, the Company pays management fees monthly for which JCSI acts as the managing entity of the Company. In addition, JCSI is also entitled to management bonuses based on the performance of the Company.

b. The Company entered into a lease agreement with J.C. Enterprises, Inc. (JCE) for the lease of its corporate office. The lease agreement is renewable annually at the option of the Company under terms and conditions mutually acceptable to both parties (see Note 20). The lease was renewed for a period of one year on January 1, 2014.

c. Receivables from related parties represent cash advances made by the Company to related parties for working capital requirements of the latter. In 2014, the Company entered into a Deed of Assignment with TDC, Luisita Golf and Country Club, Inc. (LGCCI), Luisita Realty Corporation (LRC) and Centenary Holdings, Inc. to settle the Company's outstanding obligations to JCSI, Tarlac Distillery Corp. (TADISCO), CAT Realty Corporation (CRC) and Hacienda Luisita, Inc. (HLI) with aggregate amount of ₱226.3 million. The deed of assignment was approved by the Company's Board of Directors on June 10, 2014.

d. Receivables from related party include due from LRC, which bears interest at 9% and computed based on the monthly principal amount less the interest income that forms part of the principal amount for the years ended June 30, 2014, 2013 and 2012.

e. Payables to related parties include due to CLCGI, which represents interest-bearing advances from sugar operation for hauling, cutting and harvesting activities of the Company's planters

ensuring continuous supply of sugar canes to the Company. In 2013, the Company paid the debt of CLCGI amounting to ₱30.0 million. Interest expense on these advances ranges from 9% to 11% of monthly balance of sugar operations payable to CLCGI.

f. Due to related parties mainly represent payment of expenses of the Company made by the related parties.

g. The Company assigned to JCSI its trading agreement with a customer, as amended, for the delivery of standard grade refined sugar and rectified fine alcohol with an aggregate amount of ₱1,349.0 million as at June 30, 2012. This amount includes accumulated related interest and penalties for non-delivery amounting to ₱1,000.4 million. On December 21, 2012, the Company and JCSI entered into a settlement agreement with its customer (see Note 20).

h. The Company had a marketing agreement with LMC for the selling and distribution of sugar and by-products of the Company in the prior years.

i. As at June 30, 2014 and 2013, the Company has notes payable to related parties with fixed interest rate of 10% in 2014 and 2013. These notes are generally for a period of 180 to 360 days (see Note 13).

j. LTF is an asset management company which manages the defined benefit retirement plans of the Company and its affiliate. The Company and LTF share certain key management personnel who exercise control over their financial and operating activities. On an annual basis, the Company transfers funds to LTF in the form of contributions to the defined benefit retirement plan.

k. The Company has investments in the stockholdings of CRC and LGCCI as at June 30, 2014 and 2013 (see Note 10).

l. Certain properties of the Company's related parties are held as collateral to the Company's loans.

m. As at June 30, 2014 and 2013, the Company has an outstanding payable to a shareholder, with interest at 10% per annum to be paid annually.

n. Receivables from directors and employees represent loans and cash advances made by the Company for business expenses that are anticipated to be incurred by the employee, director, or officer in behalf of the Company.

Intercompany receivables and payables with related parties will be settled by way of offsetting arrangements and exchanges of real properties.

6. The nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years, if those changes have a material effect in the current interim period.

The Company's financial statements prepared under PFRS require management to make judgments, estimates and assumptions, that affect the amounts reported in the financial statements and related notes. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates change. The effect of any change in judgments, estimates and assumptions are reflected in the financial statements as they become reasonably determinable.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

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

Operating Lease. The Company has entered into a commercial property lease related to its office space. The Company has determined the significant risks and rewards of ownership of the property were not transferred to the Company. Accordingly, this is accounted for as an operating lease.

Legal Contingencies. The Company is currently a defendant in a number of cases involving claims and disputes related to labor contingencies. The Company's estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling defense in these matters and is based upon an analysis of potential results. Management and its legal counsels believe that the Company has substantial legal and factual bases for its position and are of the opinion that losses arising from these legal actions, if any, will not have a material adverse impact on the Company's financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at 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.
Allowance for Doubtful Accounts. Allowance for doubtful accounts is calculated through the specific identification method. Through this method, the Company evaluates the information available that certain customers are unable to meet their financial obligations. In this case, management uses judgment, based on the best available facts and circumstances, including but not limited to, the length of relationship with customer and the customer's current credit status based on third party credit reports and known market factors, to record specific reserves for customers against amounts due to reduce receivable amounts to expected collection. This specific reserve is re-evaluated and adjusted as additional information received affects the amounts estimated. The amounts and timing of recorded provision for doubtful accounts for any period would differ if the Company made different assumptions or utilized different estimates. Provisions for doubtful accounts recognized in 2014, 2013 and 2012 amounted to ₱0.03 million, ₱0.3 million and ₱0.2 million, respectively. The carrying amounts of receivables as at June 30, 2014 and 2013 amounted to ₱169.1 million and ₱384.6 million, respectively.

Allowance for Inventory Obsolescence. The Company provides allowance for inventories whenever NRV of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The allowance account is reviewed on a monthly basis to reflect the accurate valuation in the financial records. Inventories identified to be obsolete and unusable are written-off and charged as expense for the period.

No provision for inventory obsolescence was recognized in 2014, 2013 and 2012. The carrying amounts of inventories amounted to ₱129.73 million and ₱110.77 million as at June 30, 2014 and 2013, respectively.

Impairment of AFS Financial Assets. In making a judgment on whether an investment is impaired, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; the financial health and near-term business outlook of the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

The Company treats AFS financial assets as impaired when there has been a significant or prolonged decline in the fair value below its costs or where there is objective evidence that impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Company treats 'significant' generally as 20% or more of the original cost of investments, and 'prolonged' as greater than six months. In addition, the Company evaluates other factors including normal volatility in share prices for quoted securities and the future cash flows and discounted factors for unquoted securities.

If assumptions are made regarding the duration and extent to which the fair value is less than cost, the Company would suffer an additional loss representing the write down of cost to its fair value.

No allowance for impairment of AFS financial assets was recognized in 2014, 2013 and 2012. The carrying amounts of AFS financial assets as at June 30, 2014 and 2013 amounted to ₱86.5 million and ₱86.3 million, respectively.

Fair Value of Land. The Company's land is stated at revalued amount, which is the fair value at the date of revaluation and reflects market conditions at the balance sheet date. The fair value of the land was determined based on the current prices in an active market for similar property in the same location and condition and subject to similar lease and other contracts.

The fair value of land amounted to ₱1,976.0 million as at June 30, 2014 and ₱1,757.0 million 2013.

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

There were no changes in the estimated useful lives of property, plant and equipment in 2013 and 2012. The carrying values of property, plant and equipment carried at cost amounted to ₱306.6 million and ₱333.2 million as at June 30, 2013 and 2012, respectively.

Impairment of Nonfinancial Assets. The Company assesses the value of property, plant and equipment which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, and require the Company to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Company to conclude that property, plant and equipment and other long-lived assets are impaired. Any resulting impairment loss could have a material adverse impact on the Company's financial condition and results of operations.

The preparation of the estimated future cash flows involves significant judgment and estimations. While the Company believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Company's assessment of recoverable values and may lead to future additional impairment charges.

There were no impairment losses recognized in 2014, 2013 and 2012. The carrying amounts of property, plant and equipment carried at cost amounted to ₱306.6 million and ₱333.2 million as at June 30, 2014 and 2013, respectively .

Deferred Income Tax Assets. The Company reviews the carrying amount at each balance sheet date and reduces deferred income tax assets 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 income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that sufficient future taxable profit will allow the deferred income tax asset to be recovered.

The Company's deferred income tax assets amounted to ₱22.81 million and ₱54.72 million as at June 30, 2014 and 2013, respectively.

Pension Asset or Liability. The determination of the obligation and cost for pension is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. In accordance with PAS 19, actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods. The assumed discount rates were determined using average market yields on Philippine government bonds with terms consistent with the expected employee benefits payout as of balance sheet date. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension obligation.

The Company's pension expense amounted to ₱11.7 million, ₱8.8 million and ₱7.2 million in 2014, 2013 and 2012, respectively. Carrying amounts of pension asset as at September 30, 2014 amounted to ₱189.8 million.

7. **Issuance, repurchases and repayments of debt and equity securities.**

There were no issuance, repurchases and repayments of debt and equity securities for the three (3) months ended September 30, 2014.

8. **Dividends paid.**

There were no cash or stock dividends declared by the registrant for the three (3) months ended September 30, 2014.

9. **Segments revenue and segment result for business segments or geographical segments, whichever is the issuer's primary basis of segment reporting. (This shall be provided only if the issuer is required to disclose segment information in its annual financial statements).**

The registrant, Central Azucarera De Tarlac is not required to disclose segment information in our annual financial statements, henceforth, we do not need to disclose segment revenue and segment result for business segments or geographical segments for the quarter ending September 30, 2014.

10. Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

On October 15, 2014, the Company purchased all the outstanding common shares of LRC for 135.0 million. This is part of the memorandum of agreement dated July 26, 2014 between CAT Resource and Asset Holdings, Inc. (CRAHI) and the Cojuangco family, wherein LRC will become a wholly owned subsidiary of the Company. LRC's primary purpose is to develop, lease and sell real properties.

The acquisition is accounted for as purchase of asset since it does not constitute as a business. The primary purpose of acquiring LRC is because of its land for which there are no processes involved and outputs being generated. Currently LRC is engaged in water distribution and wastewater treatment services which are only incidental to its operations.

As part also of the agreement, CRAHI will settle the outstanding obligation of JCSI to customers amounting to 993.0 million as of October 15, 2014. As such, the Company's financial guarantee is already extinguished.

11. The effect of changes in the composition of the issuer during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructuring, and discontinuing operations.

There were no effects of changes in the composition of the issuer due to business combinations, acquisitions or disposal of subsidiaries and long-term investments, restructuring and discontinuing operations during the interim period ended and as of September 30, 2014.

12. Changes in contingent liabilities or contingent assets since the last annual balance sheet date.

There have been no changes in any contingent liabilities or contingent assets since the last annual balance sheet date.