PW00000727

S.E.C Registration Number

CENTRAL AZUCARERA DE TARLAC AND SUBSIDIARY

(Company's Full Name)

SAN MIGUEL TARLAC CITY

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

Wellerita D. Aguas
Contact Person

(632) 818-6270
Company Telephone Number

06	30
Month	Year

Fiscal Year

SEC 17-A Annual Report
for the period ended June 30, 2015

02	any
Month	Year

Annual Meeting

Secondary License Type, If Applicable

CFD
Dept. Requiring this Doc

Amended Articles Number/Section

409
Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel Concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended **June 30, 2015**

2. SEC Identification Number **727** 3. BIR Tax Identification No. **000-229-931**

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

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

6. (SEC Use Only)
   Industry Classification Code:

7. **First Lucky Place, 2259 Pasong Tamo Extn, Makati City** **1231**
   Address of principal office Postal Code

8. **(02) 818-6270**
   Issuer's telephone number, including area code

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

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
COMMON	28,254,596

11. Are any or all of these 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:
    PHILIPPINE STOCK EXCHANGE **COMMON**

12. Check whether the issuer:

    (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

    Yes [**X**] No [ ]

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

Yes [ ] No [**X**]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in "Annex B").

Not applicable

CENTRAL AZUCARERA DE TARLAC
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PART I - BUSINESS AND GENERAL INFORMATION

A. Description of Business

Central Azucarera de Tarlac ("Company" or "CAT") was incorporated in 1927 and the Company's life was renewed in 1976. It operates an integrated manufacturing facility that processes sugar and all its by-products. Its business and facilities include the sugar milling and refinery, distillery and carbon dioxide plants located in Barrio San Miguel, Tarlac City. The sugar cane supply is sourced predominately from the Tarlac district and a few in the nearby towns of Pampanga.

The Company, in addition to its sugar processing operations, has a one hundred percent (100%) stake in Luisita Land Corporation ("LLC"), a domestic corporation engaged in developing, leasing, and selling real properties and other ancillary services.

Products and By-Products

Raw and Refined Sugar

The Company's sugar milling and refinery facilities have a capacity of 7,200 tons cane and 8,000 50-kg bags per day, respectively. The sugar cane is initially processed to extract sugar of which 31% represent the company's mill share, 69% belong to the planters. Most of the raw sugar extracted is further processed in the refinery to produce refined sugar. Tolling fees are collected from customers' upon withdrawal of refined sugar from the Company's inventory. In addition to raw and refined sugar, the mill and refinery produce molasses, a by-product. The molasses produced in the mill is likewise subjected to the planter-miller share of 69% and 31%, respectively.

The mill's raw sugar sales and the refinery's tolling fees represent approximately 53% and 22%, respectively, of the Company's total revenues. The raw and refined sugar produced are sold to industrial users through traders. The Company operates within 5 to 6 months while the refinery operates between 8 to 9 months.

Alcohol

The combined captive molasses of the mill and refinery are processed further in the distillery to produce alcohol. The distillery has a production capacity of about 65,000 gauge liters per day. The various types of alcohol regularly produced and sold are rectified spirits (purified alcohol), absolute alcohol and denatured alcohol. These alcohol products are sold to various reputable distillers of wine, manufacturers of alcoholic beverages and a fraction goes to producers of pharmaceutical products.

In addition to alcohol sales, tolling fees are earned from various distillers whose molasses are processed by the distillery. In the last three years, the distillery's contribution to the Company's operating revenues was between 0.4-3.0%.

Carbon Dioxide

The slops emanating from the distillery are captured by the carbon dioxide plant to produce liquid carbon dioxide. The plant has a capacity of 30,000 kilos per day and operates for 4 to 5 months of the year. Carbon Dioxide sales account for 3% of the Company's total revenues in the last three years and are sold to sold to industrial users.

Industrial Services

The Company, thru LLC, provides water distribution and wastewater treatment series to locators of Luisita Industrial Park and residents of Las Haciendas de Luisita.

Industrial Profile

For the fifth consecutive season, the world sugar industry has once again projected a production surplus of 3.368 Million Metric Ton ("MMT"). As a result, a total of more than 20 MMT were added to the global sugar stock over the past five seasons. While analysts predicted a statistical surplus for the world sugar economy, the world market values for the sweetener remained under bearish fundamentals throughout the year. And on August 11, 2015 the world market prices touched an 8-year low of 10.37 cents per pound before recovering a little to close at 10.46 cents per pound due to the glut in supply and the weak Brazilian Real.

The world sugar production for Crop Year 2014-15 was projected at 172.753 MMT, higher by 1.751 MMT from the previous year's 171.002 MMT. Harvests from India and Thailand proved significantly higher than earlier expectations. On the other hand, world consumption for the season was expected to expand by a mere 1.017 MMT or 0.60% from last year, which was below the average growth rate of 2-3% annually. Ending world sugar stocks were estimated to reach 85.938 MMT or 50.74% of the annual global consumption.

	World Sugar Balance (Million tons, raw value)			
			Change	
	2014-15	2013-14	in mln t	in percent
Production	172.753	171.002	1.751	1.02%
Consumption	169.385	168.368	1.017	0.60%
Surplus/Deficit	3.368	2.634		
Import Demand	54.474	56.390	(1.916)	-3.40%
Export Availability	55.124	56.366	(1.242)	-2.20%
End Stocks	85.938	78.581	7.357	9.36%
Stock/Consumption Ratio, in percent	**50.74%**	**46.67%**		

The world sugar economy's production dropped by 5.61% from 2.461 to 2.324 MMT due the account of lower cane tonnage. Meanwhile, the country's total cane tonnage dipped

by 5.91% or 1.470 million tons, from 24,853,339 tons to 23,383,519 tons. However, due to higher Extraction, the Philippines went against the world trend and posted slightly higher at 1.98 against 1.97 50-kilogram bags of raw sugar per ton cane milled.

Among the country's major sugar-producing areas, only Panay posted an increment in raw sugar production with a total of 147,323 MT, up by 4,191 MT or 3.45% from the previous season. Still reeling from the effects of the devastation of Typhoon Yolanda in November 2013, the Eastern Visayas region posted a significant productivity drop as output declined by 36.85% to a total of only 35,322 MT. Mills district in Luzon posted a combined drop in output of 7.67% to a total of 252,982 MT. Negros followed suit with a decrement in output of 6.38%, from 1,524,222 tons to 1,426,992 metric tons. In Mindanao, the raw sugar output dipped by 0.87% or 4,053 MT, from 465,251 MT to 461,198 MT. Please refer to the table below for the cane tonnage details.

CANE TONNAGE - PHILIPPINES CY 2014-15 & CY 2013-14

MILLS	TONS CANE MILLED				% SHARE IN TOTAL	
	2014-15	2013-14	GROWTH	%	2014-15	2013-14
LUZON						
Basecom	-	-	-	0%	0.00%	0.00%
Sweet Crystal	182,092	179,428	2,664	1.48%	6.32%	5.81%
Tarlac	627,231	720,247	-93,016	-12.91%	21.78%	23.32%
VISAYAS						
Panay	147,323	143,132	4,191	2.93%	5.12%	4.63%
Eastern Visayas	35,322	55,933	-20,611	-36.85%	1.23%	1.81%
Negros	1,426,992	1,524,222	-97,230	-6.38%	49.55%	49.36%
MINDANAO	461,198	465,251	-4,053	-0.87%	16.01%	15.07%
Total	**2,880,158**	**3,088,213**	**-208,055**	**-6.74%**	**100.00%**	**100.00%**

Competition

The Company is one of the almost 30 sugar mills currently operating in the country and is one of the few with integrated operations, from sugar milling, refinery and alcohol distillery under one contiguous facility. Located in Central Luzon, CAT caters to the milling requirement of the sugar cane planters of Tarlac and nearby province of Pampanga. Though directly competing with two (2) other Pampanga-based mills, namely, Basecom and Sweet Crystal, the lion's share of the total cane tonnage of the region is being milled in CAT. Last year, of the total canes available for milling in Central Luzon, CAT accounted for 77.5% or equivalent to 720,247 tons of sugarcane. This resulted to the production of over 1.25M 50-kilogram bags of raw sugar.

CANE TONNAGE - CENTRAL LUZON - CY 2014-15 & CY 2013-14						
MILLS	TONS CANE MILLED				% SHARE IN TOTAL	
	2014-15	2013-14	GROWTH	%	2014-15	2013-14
Basecom	-	-	-	0%	0.00%	0.00%
Sweet Crystal	182,092	179,428	2,664	1.48%	22.50%	19.94%
Tarlac	627,231	720,247	-93,016	-12.91%	77.50%	80.06%
Total	809,323	899,675	-90,352	-10.04%	100.00%	100.00%

CAT has the distinct advantage of having its own sugar refinery, a capability currently not possessed by its neighboring mills. This being so, CAT remains to be the only major source of easily accessible commercial grade refined sugar to cater to the demands of Central and Northern Luzon. In the last several years, CAT produced approximately 1.0M to 1.2M 50-kilogram bags of commercial grade refined sugar per season, a volume insufficient to meet the demand of its own market especially during off-season months of June to October.

Transactions With and/or Dependence on Related Parties

The Company's transactions with related parties are disclosed in Note 26 (pages 47-49) of the Company's audited financial statements. In addition, the Company's operations are not dependent on its related parties. The Company provides working capital support to its related parties.

Research and Development Spend

CAT spends approximately 0.09-0.10% for product research and development over the last three (3) years. The Company adheres to its core product, sugar, and finds no need to further conduct product research and development. However, it continuously adopts new production technology to which spending is through capital expenditure amounting to ₱100-120M annually.

Government Regulations

Other than the Bureau of Internal Revenue ("BIR") and the Securities and Exchange Commission ("SEC"), the Sugar Regulatory Administration ("SRA") is the government regulatory arm that oversees the operation and administration of the sugar industry. One of the most important functions of the SRA is the allocation of the country's sugar production. The SRA determines the quantity of sugar to be sold in the domestic and foreign markets and likewise, regulates importation of sugar, if deemed necessary. Intermittently, the Company seeks approval from the SRA should sugar product change form from one classification to another. This is dependent on the projected sugar supply and demand at a particular period of time.

Cost and effects of compliance with environmental laws

The Company is compliant with environmental standards set by DENR and is ensured of continued operations. The efforts of CAT to comply with all the regulatory requirements and social obligation are evidenced by the costs and expenses incurred by the Company to ensure that pollution control and environmental standards are upheld.

To date, CAT has incurred between ₱4.0-6.0M annually to maintain its environs safe.

Employee

	Exec./Mgrl./Supv.		Rank/File		Retainer/	Total
	Perm.	Prob.	Perm.	Prob.	Consultant	
CAT- TARLAC	0	88	0	191	21	300
CAT- MAKATI	12	0	6	0	3	21
LRC	5	0	9	0	0	14
TOTAL	**17**	**88**	**15**	**191**	**24**	**335**

Major Risk in the Business of CAT

The following are the threats and risks that the Company is subjected to:

Operational risk. The Company's main operational threat is the undersupply of sugar cane. Its sources of sugar cane predominately come from Tarlac and the nearby province of Pampanga. This is the result of the decreased number of sugar planters through Hacienda Luisita Inc. after its land had been distributed to the beneficiaries as ordered by the Supreme Court in 2013. However, these same planters have recently started to return to sugar planting. In addition, the Company continuously augments its planters programs, incentives, aids and other services to entice planter/land owners to return to sugar crop propagation and engage CAT for its milling and refinery requirements.

Another notable common operational risk is the breakdown of factory facilities resulting to downtime and leading to decreased production output. To mitigate such risks, the Company conducts it preventive maintenance and repair programs during the off-milling season (June to October) in preparation for an uninterrupted subsequent milling, refinery and distillery operations.

Financial risk. The Company is faced with the high volatility of sugar prices, inherent in the sugar industry since sugar is a commodity product. The profitability margins of the Company may be affected should the sugar prices behave erratically. However, this is countered through CAT's strategic management of costs, inventory and operating expenses during the low and high price seasonality of the industry.

A national threat to the sugar industry is the importation of smuggled sugar. The disadvantageous consequence of this unlawful activity includes the weakening of domestic sugar prices. It affects not only CAT but the also the industry players as well. It likewise impacts the local planters creating an imbalance in the domestic sugar supply. The Company addresses this risk by managing its costs to allow competitive pricing should excess sugar enters the market. Moreover, CAT participates in the government's programs to reduce, if not eliminate, sugar smuggling.

Hazard risk. Due to its agriculturally-based raw materials, extreme changes in weather conditions greatly affect the quantity and quality of sugar canes. Lower supply from the farmers results to lower sugar production output for the Company. Therefore, CAT is currently implementing its expansion and intensification programs to address any adverse effects of weather and environmental hazards.

B. Properties

The Company owns real estate property consisting of 627.9 hectares located within the Luisita Agro-Industrial Complex in San Miguel, Tarlac City. The property in its entirely is located approximately 3.5 kms west from Luisita Interchange of the SCTEX, or 4.5 kms. East from Macarthur Highway/Luisita Business Park; and about 10.0 kms Southeast from the downtown of Tarlac City. It is partly traversed East to West by an access road of the Subic/Clark/Tarlac Expressway (SCTEX) to MacArthur Highway.

Areas of reference on its existing use	Area in sq.meters	% against total land area
Industrial		
Factory Area	677,220	10.78%
Administrative area	276,569	4.40%
Not used in business and operation	3,303,107	52.60%
Held for sale and development (thru LLC)	2,022,412	32.21%
Total	**6,279,308**	**100%**

Factory Plants/Buildings Used In Business Operations

The CAT complex is composed of the raw sugar milling, sugar refinery, alcohol distillery and wastewater treatment facilities.

The Raw Sugar Factory. The sugar factory was originally built with a milling capacity of 5,000 tons per day (TCD). Over the years, the Company has continuously upgraded its facilities increasing its capacity and efficiency using the latest available technology. CAT has currently excess capacity and can accommodate up to 1.0M tons cane in its milling and refinery operations.

Refinery Operation. The sugar refinery, which produces the renowned Luisita Sugar, processes refined sugar employing phosphoric acid-lime clarification and de-colorization. Its average daily output is 7,500 50-kg. bags of refined sugar.

Alcohol and Ancillary Products. The distillery presently employs several sets of distilling columns with a combined output of 65,000 liters total alcohol with a grade of 189.0 proof. By-products from the distillery are recovered at the CO2, and yeast plants.

Other Auxiliary and Support Facilities. CAT operates its own electrical substation with electrical distribution system. Other facilities include various shops, laboratory, instrumentation and maintenance equipment.

Water and Wastewater Management. To support CAT's operations, the water treatment facility re-circulates all process cooling water by spray cooling. In addition, the integrated wastewater treatment plant employs an anaerobic digester and 17 facultative lagoons covering an area of 30 hectares, treating the final effluents to irrigate nearby sugarcane fields.

The Company owns all the properties. There are no limitations as to the properties' usage. These are under the Mortgage Trust Indenture as a security to the long-term loan the Company secured from a local bank. Currently, CAT does not lease any of these properties.

C. Legal Proceedings

The Company is currently not under any legal proceedings.

D. Submission of Matters to a Vote of Security Holders

There are no matters submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

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PART II – SECURITIES OF THE REGISTRANT

A. Market Price of and Dividends on Registrant's Common Equity and Related Stockholders Matters

Market Information

Central Azucarera de Tarlac is a Company whose common shares are listed in the Philippine Stock Exchange since April 1977. The following tables list the Company's Stock Price for the 3-year period from FY 2013-2015 and its last trading date.

Market Information				
Year	Quarter	Period	High	Low
2014 - 2015	1Q	July - September	114.00	114.00
	2Q	October - December	90.05	89.20
	3Q	January - March	96.90	96.90
	4Q	April - June	92.00	92.00
2013 - 2014	1Q	July - September	-	-
	2Q	October - December	-	-
	3Q	January - March	39.55	15.00
	4Q	April - June	85.00	29.00
2012 - 2013	1Q	July - September	17.50	12.88
	2Q	October - December	15.10	12.88
	3Q	January - March	16.80	12.00
	4Q	April - June	14.50	12.52

Market Information (Last Trading Date)	
Date	October 15, 2015
Open	83.15
High	85.00
Low	83.15
Close	83.25
Volume	1,620

Holders of Security

The following table enumerates the top 20 shareholders of the Company as of 30 September 2015.

Name of Stockholder	Citizenship	Amount Subscribed (Php)	No. of Shares Held	% Total Outstanding
1 PCD NOMINEE CORPORATION (FILIPINO)	Filipino	216,266,370	21,626,637	76.5%
2 LUISITA TRUST FUND	Filipino	47,344,920	4,734,492	16.8%
3 PCD NOMINEE CORPORATION (FOREIGN)	Others	4,992,940	499,294	1.8%
4 PHILIPPINE REMNANTS CO., INC.	American	909,920	90,992	0.3%
5 ROMULO, MARILES C.	Filipino	441,240	44,124	0.2%
6 OLLER, MA. MERCE FORMENTI	Spanish	430,880	43,088	0.2%
7 SANTIAGO, O' MARINA SOLDEVILLA	Spanish	369,040	36,904	0.1%
8 SENCHERMES, JUAN GALOBART	Spanish	326,160	32,616	0.1%
9 ALCANTARA, VALERIO	Filipino	280,160	28,016	0.1%
10 DELA RIVA, CARMEN GALOBART	Spanish	277,440	27,744	0.1%
11 IRAGORRI, EDUARDO GALLARZA	Spanish	272,560	27,256	0.1%
12 DE LEON, JOSE Y JOVEN	Filipino	268,680	26,868	0.1%
13 MENDOZA, NESTOR C.	Filipino	250,960	25,096	0.1%
14 MORTON, CHARLES V.	American	243,440	24,344	0.1%
15 CHUA, WILLINGTON	Filipino	233,100	23,310	0.1%
16 CHEE, LIM BENG	Chinese	231,840	23,184	0.1%
17 RECTOR DEL SEMINARIO MAYOR DE SAN CARLOS	Filipino	221,480	22,148	0.1%
18 DELGADO, NELLIE C.	Filipino	219,040	21,904	0.1%
19 FORD, THOMAS J.	American	210,320	21,032	0.1%
20 MARTIN, FRANCISCO LON	Filipino	204,400	20,440	0.1%
TOTAL:		**273,994,890**	**27,399,489**	**97.0%**

The following table lists the security ownership of certain record and beneficial owners the Company owning more than 5% of its Common Shares as of 30 September 2015.

Title of Class	Name	Number of Shares Held	Name of Beneficial Ownership	Citizenship	%
Common Shares	PCD Nominee Corporation*	21,626,637	PCD Nominee Corporation	Filipino	76.54
Common Shares	Luisita Trust Fund	4,734,492	Luisita Trust Fund	Filipino	16.76
Beneficial ownership through PCD Nominee Corporation					
Common Shares	CAT Resource & Asset Holdings Inc.	20,171,914	Martin P. Lorenzo 10,287,675 shares	Filipino	71.40
			Fernando C. Cojuangco 9,884,239 shares	Filipino	

The following table identifies the shareholdings of Directors and Officers of the Company as of 30 September 2015.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership		Citizenship	%
Common	Martin Ignacio P. Lorenzo	10,287,655	Indirect	Filipino	37.3
		20	Indirect	Filipino	0.0
Common	Fernando C. Cojuangco	9,884,219	Indirect	Filipino	35.8
		20	Indirect	Filipino	0.0
Common	Marco P. Lorenzo	20	Indirect	Filipino	0.0
Common	Vigor D. Mendoza II	20	Indirect	Filipino	0.0
Common	Fernan Victor P. Lukban	20	Indirect	Filipino	0.0
Common	Renato B. Padilla	1	Direct	Filipino	0.0
Common	Benjamin I. Espiritu	1	Direct	Filipino	0.0
Common	Cecile D. Macaalay	500	Direct	Filipino	0.0
Common	Wellerita D. Aguas	998	Direct	Filipino	0.0
Common	Janette L. Peña	0	-	Filipino	0.0
Common	Addison B. Castro	0	-	Filipino	0.0
Total		20,173,474			73.1

Dividends

2014 - 2015 - No dividends declared
2013 - 2014 - No dividends declared
2012 - 2013 - No dividends declared
2011 - 2012 - No dividends declared
2010 - 2011 - No dividends declared

Recent Sales of Unregistered *or Exempt* Securities*, Including Recent Issuance of Securities Constituting an Exempt Transaction*

The Company has not had any sale of unregistered or exempt securities.

B. Description of Registrant's Securities

As of June 30, 2015, the Company's Authorized Capital Stock is ₱400,000,000 divided into 40,000,000 Common Shares with a par value of ₱10.00 per share. As of the same date, 28,253,876 shares are outstanding and are held by 396 stockholders.

PART III - FINANCIAL INFORMATION

A. Management's Discussion and Analysis or Plan of Operation

Executive Summary

Central Azucarera de Tarlac, one of the leading sugar milling and refineries in Central Luzon, has unleashed its potential into higher profitability. After the take over of the new management in October 2014, the implementation of the planned strategic directions had begun. As a result, the Company generated a Consolidated EBITDA of ₱370.7M for the fiscal year ending June 2015, an increase of 38% from June 2014's EBITDA of ₱268.2M. Meanwhile, Consolidated Net Income has increased by 19% to reach ₱144.2M in 2015 from ₱121.2M from last year.

The Company had a 3-prong initial plan to propel the increased and sustainable profitability. The first main driver of growth is the increased efficiency of the current factory operations. Despite the lower sugar volume at 627k tons cane in 2015 from 720k tons cane in 2014, a decrease of 13%, the Revenues remained stable at ₱992.9M (CAT revenues after removing revenues from its subsidiary of ₱31.0M). Moreover, the increased sugar extraction improved the level of alcohol volume that contributed ₱56.7M in revenues.

The second driver of profitability is the Company's efforts in mitigating the increase in Cost of Goods Sold and Cost of Tolling. The proper management of cost per hectare and improved factory efficiencies resulted to the decrease of 7% in costs, which translated to a savings of ₱43.3M.

The third driver of the improved performance of the Company is the rationalization of its operations, business processes and manpower that delivered a decrease in operating expenses of ₱27.9M or 18%.

The Company's EBITDA margin has significantly improved to 36% from 27% from the same period last year. Net Income margin, on the other hand, improved to 14% from 12% in FY 2014.

All efforts made in fiscal year 2015 are geared to prepare the Company for continued growth in the next 3-5 years. Expansion of sugar supply sources and intensification of current supply have been spent for which its results are to be reaped in the succeeding years.

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Plan of Operation

Outlook for FY 2015-2016

After five (5) consecutive years of statistical surplus where more than 25 MMT were added to the world inventory, the world sugar economy is projected to enter a phase of production deficit. World sugar production for the upcoming season is estimated at 170.911 MMT, down by 1.842 MMT or 1.07% from last year. On the other hand, world consumption is projected to grow by 4.013 MMT or 2.37% from 169.385 MMT to 173.398 MMT. The estimated growth rate in consumption is well within the range of the annual growth rate for the sweetener. As a result, a production net deficit of 2.487 MMT is expected.

No physical shortage in supply to the world sugar market is anticipated. A minimal trade surplus, that is, the difference between the export availability as against the import demand, is projected at 0.099 MMT. Any drop in production or increase in demand may be covered by the huge surplus accumulated the past five (5) seasons. Below is the initial assessment of the world sugar balance for Crop year 2015-16 by the International Sugar Organization (ISO):

	World Sugar Balance (Million tons, raw value)			
			Change	
	2015-16	2014-15	in mln t	in percent
Production	170.911	172.753	(1.842)	-1.07%
Consumption	173.398	169.385	4.013	2.37%
Surplus/Deficit	(2.487)	3.368		
Import Demand	56.450	54.474	1.976	3.63%
Export Availability	56.549	55.124	1.425	2.59%
End Stocks	83.352	85.938	(2.586)	-3.01%
Stock/Consumption Ratio, in percent	**48.07%**	**50.74%**		

Even with a projected production deficit of 2.487 MMT in Crop Year 2015-16, it is widely believed that the world market fundamentals will not support a sustained rise in global values. Also, any upward spike in prices brought about by lower than projected output or uptick in demand for the sweetener will most probably be short-lived due to huge amount of world sugar inventory amassed since the start of the production surplus phase in Crop Year 2010-11.

Following the cadence of the global market, the local sugar industry is projecting a drop of 2.16% or 53,000 metric tons in country's raw sugar output. From a total of 2.323 MMT, this coming season's production is projected to go down to 2.270 MMT. The occurrence of the El Nino phenomenon which is projected to be among the four (4) strongest to occur in recent history is the main reason behind the projected drop in productivity. National consumption is estimated at 2.250 MMT leaving a mere 20,000 metric tons as buffer. Yet

to be taken into the equation is the country's US quota commitment of more than 140,000 metric tons, raw value (MTRV). Given this scenario, the Sugar Regulatory Commission (SRA) thru Sugar Order No. 1 dated August 26, 2015 mandated the allocation of 100% of the country's raw sugar production as "B" or domestic sugar, leaving no allocation for sugar exports either to the US or the world market. Hopefully, the absence of the US and world market sugar allocations and barring the influx of cheap smuggled sugar, the SRA policy would translate to a raw sugar price composite more profitable to both planters and even the mills.

For Crop Year 2015-16, CAT is projected to mill between 675-700K tons cane in the most efficient manner. In preparation, CAT continuous to implement the necessary upgrades and repairs and maintenance programs geared toward ensuring improving operational efficiency. Budgetary allocation for this year's repair and maintenance programs amounted to ₱142.5M. On top of this, an additional ₱110.8M was allocated to fund major capital expenditures.

The most imminent challenge CAT is faced with is the threat of the El Nino weather phenomenon and the continued influx of cheap smuggled sugar. In a recent industry briefing initiated by the Philippine Sugar Millers Association (PSMA) and the Sugar Regulatory Administration (SRA), the industry stakeholders were urged to gear up against the effects of the weather phenomenon which is forecast to hit the country before the end of this year and may last until June 2016.

The SRA together with the other industry stakeholders have drawn several action plans to mitigate the effects of El Nino which include but not limited to cloud-seeding, construction of shallow well tubes, field irrigation and drainage canals, installation of rain collection and water impounding lagoons and increased propagation and distribution of drought-resistant cane varieties. The government through the SRA, National Irrigation Administration ("NIA"), the Bureau of Soils and Water Management ("BSWM") and National Water Resource Board ("NWRB"), all have initiated the to help the sugar industry to mitigate the adverse effect of the extreme changes in weather.

Meanwhile, the reported rampant smuggling of cheap imported sugar is also great concern to the local sugar industry. This poses unfair market competition and imbalance in the sugar prices and supply that could force sugarcane farmers to shift to other crops for a more viable farming operation.

In response to the unabated smuggling of imported sugar, the BOC and the SRA recently signed and issued a Joint Memorandum Order to the drive against sugar smuggling.

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Management Discussion and Analysis

The following identify the top five (5) Key Performance Indicators of the Company, which allow the measure of growth, financial performance and return on investment.

Revenues	FY 2015	FY 2014	FY 2013
Revenue (in millions)	1,023.90	988.67	1,010.05
% Growth	4%	-2%	4%

EBITDA	FY 2015	FY 2014	FY 2013
EBITDA (in millions)	370.7	268.2	244.1
% Growth	38%	10%	40%
EBITDA Margin	36%	27%	24%

Net Income	FY 2015	FY 2014	FY 2013
Net income (in millions)	144.21	121.23	136.54
% Growth	19%	-11%	177%
Net Income Margin	14%	12%	14%

Earnings per share	FY 2015	FY 2014	FY 2013
Earnings per share	5.10	4.29	4.83

Milling Recovery	FY 2015	FY 2014	FY 2013
Milling recovery (Lkg/TC)	1.841	1.743	1.880

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COST OF GOODS SOLD *In Million Pesos*	2015	2014	Increase(Decrease)	
			Amount	%
Salaries, wages bonuses and other benefits	151.5	168.5	-17.0	-10%
Repairs & Maintenance	102.1	151.7	-49.6	-33%
Inventory cost,spare parts and supplies	67.6	16.0	51.7	323%
Depreciation and amortization	48.5	46.3	2.2	5%
Freight and transportation	43.9	54.0	-10.1	-19%
Security and outside services	18.7	25.3	-6.5	-26%
Retirement	12.2	8.1	4.0	50%
Power and steam	6.5	6.1	.4	7%
Insurance	4.0	4.4	-.4	-9%
Taxes and licenses	2.9	5.0	-2.1	-42%
Others	19.6	26.5	-6.9	-26%
TOTAL	**477.5**	**511.8**	**-34.3**	**-7%**

- Salaries and wages decreased by ₱17.0M or 10% brought about by the Company's direction to right size the operation which included the retirement of numerous positions and aligning salary structure levels.
- Repairs and maintenance dropped by ₱11.5M or 36% caused by the Company's increased investment in capital expenditures which will provide benefits over a long period of time.
- The decrease in volume of sugar cane hauled resulted the decrease of freight and transportation by ₱10.1M or 19%.
- Security cost decreased by ₱6.5M or 26% due to the rationalization of security requirements in the Company's facilities.

Cost of Tolling Services

Cost of tolling decreased by ₱9.0M or 7% this year from ₱121.7M to ₱112.7M. The table below summarizes the breakdown of cost of tolling:

COST OF TOLLING SERVICES *In Million Pesos*	2015	2014	Increase(Decrease)	
			Amount	%
Salaries, wages bonuses and other benefits	24.4	26.7	-2.3	-9%
Repairs & Maintenance	20.7	32.1	-11.5	-36%
Spare parts and supplies	9.6	6.4	3.1	49%
Depreciation and amortization	2.1	2.9	-.8	-27%
Freight and transportation	5.5	5.4	.1	2%
Retirement	2.9	1.4	1.4	100%
Power and steam	43.3	42.7	.6	1%
Insurance	1.0	1.2	-.3	-22%
Taxes and licenses	2.2	1.6	.7	41%
Others	1.1	1.2	-.1	-7%
TOTAL	**112.7**	**121.7**	**-9.0**	**-7%**

- Salaries and wages decreased by ₱2.3M or 9% from ₱26.7M to P24.4M brought about by the Company's direction to right size the operation which included the retirement of numerous positions and aligning salary structure levels.
- Repairs and maintenance plunged by ₱11.5M or 36% after management's decision to invest in long-term capital expenditures versus outright repairs.

Operating Expenses

The level of operating expenses dropped significantly by ₱27.9M or 18% from ₱129.2M to ₱157.1M. The table below summarizes the breakdown of operating expenses:

OPERATING EXPENSES *In Million Pesos*	2015	2014	Increase(Decrease)	
			Amount	%
Salaries, wages bonuses and other benefits	37.1	41.6	-4.5	-11%
Repairs & Maintenance	2.4	8.5	-6.1	-72%
Management fees nd bonuses	2.0	18.5	-16.5	-89%
Taxes and licenses	21.0	3.2	17.9	567%
Depreciation and amortization	2.6	2.9	-.4	-12%
Transportation and travel	13.9	25.7	-11.8	-46%
Security and outside services	11.6	14.4	-2.9	-20%
Rentals	5.4	8.5	-3.1	-37%
Light and water	1.6	3.2	-1.6	-49%
Retirement	3.1	2.2	1.0	45%
Entertainment, amusement and recreation	2.7	5.0	-2.3	-46%
Professional fees	18.7	17.9	.8	5%
Dues and advertisements	1.1	.7	.4	53%
Postage, telephone and telegram	1.0	1.4	-.4	-30%
Bank Charges	.7	.3	.4	140%
Provision for doubtful accounts	.9		.9	0%
Others	3.5	3.2	.2	7%
TOTAL	**129.2**	**157.1**	**-27.9**	**-18%**

- Salaries plunged by about ₱4.5M or 11% brought about by the Company's direction to right size the operation which included the retirement of numerous positions and aligning salary structure levels.
- Management fees significantly dropped from ₱18.5M to ₱2.0M by ₱16.5M or 89% after the termination of management services of the previous owners.
- Taxes and licenses increased by ₱17.9M or 567% from ₱3.2M to ₱21.0M arising from one-time acquisition related transactions.
- Rentals decreased by ₱3.1M or 37% from ₱8.5M to ₱5.4M due to the relocation of the Head Office to a new facility with lower rent and area.

Balance Sheet Accounts

The table below presents the Balance Sheet Statements of the Company as of fiscal years dated 31 June 2015, 2014 and 2013.

(In Million Pesos)	FY 2015		FY 2014		FY 2013		GROWTH	
	AMT	%	AMT	%	AMT	%	AMT	%
ASSETS								
Current Assets								
Cash and cash equivalents	252.84	4%	145.72	5%	81.40	3%	107.12	74%
Receivables	777.89	14%	169.09	6%	384.63	14%	608.80	360%
Inventories	142.37	2%	129.73	4%	110.77	4%	12.64	10%
Real estate held for sale and development	987.24	17%	.00	0%		0%	987.24	0%
Non-current asset held for sale	95.50	2%	.00	0%		0%	95.50	0%
Other current assets	61.20	1%	16.81	1%	53.79	2%	44.39	264%
Total Current Assets	2,317.04	41%	461.35	15%	630.60	23%	1,855.69	402%
Non-current Assets								
AFS financial assets	103.52	2%	86.54	3%	86.37	3%	16.98	20%
Property, plant and equipment								
Land- at revalued amount	685.70	12%	1,976.00	65%	1,757.00	63%	-1,290.30	-65%
Property and equipment- at cost	374.10	7%	315.86	10%	306.64	11%	58.24	18%
Investment property	1,357.40	24%		0%		0%	1,357.40	0%
Retirement asset	154.07	3%	189.81	6%		0%	-35.74	-19%
Goodwill	702.15	12%		0%		0%	702.15	0%
Other current assets	19.82	0%	8.95	0%	8.91	0%	10.86	121%
Total Non Current Assets	3,396.75	59%	2,577.16	85%	2,158.92	77%	819.59	32%
TOTAL ASSETS	5,713.79	100%	3,038.51	100%	2,789.52	100%	2,675.27	88%
LIABILITIES AND EQUITY								
Current Liabilities								
Trade and other liabilities	816.78	14%	321.37	11%	579.50	21%	495.41	154%
Current portion of notes payable	185.34	3%	327.68	11%	264.00	9%	-142.33	-43%
Deposits	5.79	0%		0%		0%	5.79	0%
Income tax payable	31.46	1%	1.70	0%		0%	29.76	1751%
Total Current Liabilities	1,039.38	18%	650.74	21%	843.50	30%	388.63	60%
Non-current liabilites								
Notes payable- net of current portion	2,057.20	36%	88.67	3%	135.83	5%	1,968.54	2220%
Retirement liability		0%	619.20	20%	93.88	3%	-619.20	-100%
Deferred tax liability	373.50	7%		0%	464.64	17%	373.50	0%
Other noncurrent liabilities	.00	0%	35.37	1%	69.50	2%	-35.37	-100%
Total Non Current Liabilities	2,430.70	43%	743.24	24%	763.86	27%	1,687.46	227%
Equity								
Capital stock	282.55	5%	282.55	9%	282.55	10%	.00	0%
Retained earnings (deficit)	17.19	0%	-191.90	-6%	-313.15	-11%	209.09	-109%
Revaluation increment	1,749.71	31%	1,365.16	45%	1,211.86	43%	384.55	28%
Remeasurement gains on defined benefit liability	76.94	1%	59.96	2%	-58.87	-2%	16.98	28%
Unrealized cumulative gain on AFS financial	117.33	2%	128.78	4%	59.80	2%	-11.45	-9%
Less cost of 720 shares of stock in treasury	-.01	0%	-.01	0%		0%	.00	0%
Total Equity	2,243.71	39%	1,644.53	54%	1,182.17	42%	599.18	36%
TOTAL LIABILITIES AND EQUITY	5,713.79	100%	3,038.51	100%	2,789.53	100%	2,675.27	88%

Cash

The increase in cash by ₱107.1M or 73% is due from cash provided by operating activities of ₱335.9M, ₱1,930.7M net cash used in investing activities and P1,701.9M net cash provided by financing activities.

Receivables

The total increase in receivables amounting to ₱608.8M or 360% from ₱169.1M to ₱777.8M is due to advances to affiliates and reclassification of certain accounts following the acquisition of the Company by the new shareholders.

Inventories

The increase amounting to ₱12.7M or 10% of the reported ending inventory is due to the increase in the finished products of alcohol.

Land held for sale

The Company reported a ₱1,082.7M real estate available for sale. The land is owned and maintained by LLC after it was consolidated in October 2014.

Other current assets

The increase of ₱44.4M or 264% in other current assets is due primarily to increased advance payments to suppliers for off-season maintenance requirements.

Available for sale financial assets

The increase in available for sale in securities is due primarily of the increase in fair value of investments in proprietary shares of ₱16.9M or 20% following the investment in Luisita Golf and Country Club, Inc.

Property, Plant and Equipment

The decrease in property, plant and equipment amounting to ₱1,232.1M or 54% is due to the reclassification of land from PPE to Investment Property to be held by the Company for land appreciation. Such land has been classified not used in business following the change in plans for facility expansion.

Goodwill

The Company reported a ₱702.2M goodwill as a result of the acquisition of the 100% total outstanding shares of Luisita Land Corporation arising from the business combination.

Trade and other payables

The increase in payable of ₱495M or 154% is due to advances to related parties, which will be settled throughout the year by way of offsetting arrangements and clean up of related transactions.

Current portion of Notes payable

The decrease of 43% or ₱142.3M represents the portion of the loan, which is not expected to mature within 12 months from the balance sheet date.

Long term Notes payable

The increase of 2200% or ₱1,968.5M of note payable is due to the availment of a long term loan from a local bank as a result of the global transaction arising from the acquisition of the Company by its holding company, CAT Resource & Asset Holdings Inc.

Total Stockholders Equity

The reported net income for fiscal year ended June 30, 2015 amounting to ₱144.2M and the recorded revaluation increment of the Company's real estate assets contributed to the increase in the Stockholders' Equity by ₱599.2M or 36%.

LIQUIDITY & SOLVENCY RATIO

Current Ratio

The current ratio indicates a company's ability to meet short-term debt obligations. The Company's current ratio has improved because of increased in cash levels, receivables and inventory.

Asset to Equity Ratio

The asset to equity ratio indicates the relationship of the total assets of the company to its stockholder's equity. The Company's assets have been slightly financed more by debt than equity as a result of the acquisition of the Company and its subsidiary.

Debt to Equity Ratio

Debt-to-Equity ratio is the ratio of total liabilities of the company to its stockholder's equity. The Debt to Equity ratio slightly diminished due to the increased availment of a loan from a local bank.

Debt Service Coverage Ratio

This ratio is a measure to determine the company's ability to service its outstanding debt. The Company's debt service coverage had improved due to higher earnings during the current year.

LIQUIDITY & SOLVENCY RATIO	FY 2015	FY 2014
Current ratio	2.23	0.71
Asset-to-equity ratio	2.55	1.85
Debt-to-equity ratio	1.46	0.65
Debt Service Coverage Ratio	1.22	0.59

FY 2014 Review of Operations

Revenues

The Company recorded a total gross revenues of ₱988.7M, slightly lower by 2% or ₱22.2M from the last year's ₱1,010.9M. Gains were attained in arising from higher revenues from the sales of sugar, the distillery tolling income and the sale of carbon dioxide. Meanwhile, alcohol revenues dropped despite favorable alcohol market prices.

- Sugar revenues grew marginally from ₱560.5M to ₱562.7M due to a higher raw sugar composite price despite lower sales volume.
- Lower refined sugar output pulled down the total tolling revenues by ₱41.3M or 15% from ₱280.6M to ₱239.4M.
- Alcohol revenues dropped by ₱11.1M or 8% from ₱141.7M to ₱130.6M despite of favorable alcohol market price.
- Revenues from tolling molasses increased by ₱17.2M or 158% from ₱10.9M to ₱28.1M.
- Higher sales volume propped up the gross revenue from the sale of carbon dioxide by ₱10.6M or 62% from ₱17.1M to ₱27.9M.

Cost of Goods Sold

Cost of goods sold decreased by ₱42.7M or 8% this year from ₱554.6M to ₱511.8M.

- The decease in COGS was primarily due to the decrease in the sales volume of alcohol by ₱31.8M or 67%.
- Freight and transportation decreased by ₱12.7M or 19% driven by a lower tons cane hauled.

Cost of Tolling

Cost of tolling decreased by ₱5.4M or 4% this year from ₱127.1 to ₱121.7M.

- The power and steam cost dropped by ₱9.3M or 18% from ₱ 52.0M to ₱ 47.7M.
- The repairs program for the Refinery plant intensified as evidenced by an increase of P4.2M or 15% from P28.0M to P32.1M.

Operating Expenses

The level of total operating expenditures remained at ₱157.1M or 16% of revenues for both fiscal years 2014 and 2013.

FINANCIAL CONDITION

Cash

There was an increase in cash amounting to ₱64.3M or 79%, which was provided by operating activities of ₱88.1M, ₱5.7M net cash provided by investing activities and ₱29.5M net cash used in financing activities.

Receivables

The decrease in receivables amounting to ₱215.5M or 56% from ₱384.6M to ₱169.1M was due to the receipt of settlement of related party receivables.

Inventories

An increase amounting to ₱18.9M or 17% of the reported ending inventory was mainly due to the increase in the finished products of alcohol and sugar.

Other current assets

The 69% decrease in other current assets amounting to ₱36.8M represented the creditable withholding taxes applied this year.

Property, Plant and Equipment

Net additions to property, plant and equipment amounted to ₱4.9M.

Trade and other payables

There was a decrease in payable of ₱258.1M or 20% from last year's ₱579.5M due to the settlement of its payables and reclassification adjustment.

Current portion of Notes payable

An increase of 24% or ₱63.7M represented the loans which were expected to mature within 12 months from the balance sheet date.

Total Stockholders Equity

The reported net income for this year amounting to ₱121.25M increased total equity to now ₱1,644.5M.

Plans, Commitments, and events that have material impact on the issuer's liquidity

To the best of our knowledge, there are no known trends, demand, commitments, events or uncertainties that will have a material impact on our liquidity.

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

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.

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.

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

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

Changes in and Disagreements with Accountants On Accounting and Financial Disclosures

There have been no disagreements with the Company's auditor, Sycip Gorres, Velayo and Co., for the last 3 fiscal years on accounting, financial concerns and disclosures in the Financial Statements, which is attached hereto as Exhibit "A".

The consolidated fees, net of VAT billed for the last two fiscal years by the Company's external auditor for the Company's annual financial statements audit were ₱1,100,000 for FY 2015 and ₱889,385 for FY 2014.

The Audit Committee has the function of, among other things, reviewing the performance of the external auditor and of recommending to the Board of Directors the appointment or discharge of external auditors as well as reviewing and approving audit-related and none audit services to be rendered by external auditors.

PART IV - MANAGEMENT AND CERTAIN SECURITY HOLDERS

A. Directors, Independent Directors and Executive Officers Of The Registrant

Directors, Independent Directors and Executive Officers

The following are the Directors, Independent Directors and Corporate Officers of the registrant. The Directors were elected during the Annual Meeting of Stockholders held on April 22, 2014 to hold office for one (1) year and until their successors are elected and qualified. None of the Directors and Officers own more than 2% of the stocks of the registrant:

Name	Position	Membership in the Corporate Governance Committee
Martin Ignacio P. Lorenzo	Chairman of the Board & CEO	Chairman of Executive Committee Chairman of Compensation Committee Member of the Audit Committee
Fernando Ignacio C. Cojuangco	President & COO	Chairman of Nomination Committee Member of Executive Committee
Marco P Lorenzo	Director	
Vigor D. Mendoza II	Director	
Fernan Victor P. Lukban	Director	Member of Executive Committee Member of Audit Committee Member of Nomination Commitee Member of Compensation Committee
Renato B. Padilla	Independent Director	Member of Audit Committee Member of Compensation Committee
Benjamin I. Espiritu	Independent Director	Chairman of Audit Committee
Cecile D. Macaalay	Treasurer	
Wellerita D. Aguas	VP for Finance	
Janette L. Peña	Corporate Secretary	
Addison B. Castro	Asst. Corp. Secretary	

Martin Ignacio P. Lorenzo, age 50, Filipino, is currently the Chairman & Chief Executive Officer of CAT. Concurrently, he is also the Chairman and Chief Operating Officer of CAT Resource & Asset Holdings Inc. He holds the same position in the investment holding company of CAT, First Lucky Holdings Corporation, and its subsidiaries, namely, RestautantsConcepts Group, Inc., Amang Rodriguez Holdings, Inc. Cocosorbetero Holdings, Inc., Hospitality School Management Group, Inc. Mr. Lorenzo is likewise the Chairman and Chief Executive Officer of Marlor Investments Corporation and holds the same position in its subsidiaries: Blue Mountains Corporation and LAC-DC. He is also the Chairman and President of First Lucky Property Corporation. He currently holds position in other investment companies, namely, St. Tropez Holdings Corporation and Sierra Madre Capital. He is a Director in Familia Lorenzo Foundation, Incorporated. Mr. Lorenzo has over 20 years of extensive experience in investments and operations in various industries including agriculture, manufacturing and food retail. He obtained his BS Management

Engineering degree at Ateneo de Manila University in 1986. He obtained his Masters in Business Administration in Wharton Graduate School, University of Pennsylvania, in 1990.

Fernando C. Cojuangco, age 54, Filipino, is currently the President and Chief Operating Officer of the Company. He holds the same position in CAT Resource & Asset Holdings Inc. and is also the Chairman and President of Liberty Insurance Corporation. He is the Chairman & Chief Operating Officer of North Star Estate Holdings. A lawyer by profession, he is a principal partner in MALCOLM Law Offices. Mr. Cojuangco has extensive experience in agriculture, real estate and insurance industries. He is a holder of a Bachelor of Arts degree in Economics from the University of California and Member of the Omicron Delta Epsilon Honors Society. He obtained his Bachelor of Laws degree with honors from the Ateneo de Manila University.

Marco P. Lorenzo, age 55, Filipino, is currently Director and Consultant of the Company handling the Cane Supply Operations. He is also currently engaged by Del Monte Philippines as consultant for Plantation Operations. He was the Managing Director of the Wallco Pastoral NT in Australia. He also served as the Senior Vice President for Operations of the Del Monte Philippines for nine years. He held the position of Senior Group Manager of Lapanday Agricultural Development Corporation for seven years. He graduated from Ateneo de Manila University in 1982 with a Bachelor of Arts degree in Interdisciplinary Studies. He obtained his Bachelor Degree in Agricultural Science and Management from the University of California in 1985.

Vigor D. Mendoza II, age 54, Filipino, a Director of the Company. He is a lawyer by profession and is a principal partner in MALCOLM Law Offices heading the Practice in Public Utility and Property and Energy Law. He is likewise a Director of CAT Resource & Asset Holdings Inc. Mr. Mendoza was a former Commissioner of the Land Transportation Franchising & Regulatory Board under the Department of Transportation and Communication. He was a former Congressman representing the 1-Utak Party List under the 4th Congress of the Republic of the Philippines. He graduated with a degree of Bachelor of Arts in Economics from the Ateneo de Manila University in 1983. He obtained his Bachelor of Laws degree from the Ateneo de Manila University in 1988.

Fernan Victor P. Lukban, age 54, Filipino, is a Director of the Company. He is one of the top Strategy and Family Business consultants in the Philippines. He is a founding fellow at the Institute of Corporate Directors in Manila and is also an International Fellow of the Australian Institute of Company Directors. He holds undergraduate degrees in Engineering from De La Salle University and graduate degrees in Industrial Economics from the Center for Research & Communication, now University of Asia & the Pacific, Manila. He also has a Master's degree in Business Administration from IESE, Barcelona, Spain.

Renato B. Padilla, age 69, Filipino, is an Independent Director of the Company. He is a lawyer by profession and is currently the General Manager of the Philippine International Convention Center (PICC) in Manila. He was formerly an Undersecretary of the Department of Agrarian Reform from 1989-1995.

Benjamin I. Espiritu Ph. D, age 63, Filipino, is an Independent Director of the Company. He is a practicing Certified Public Accountant, President & CEO of Change Management International, Inc. and Chairman of Banco de Mindoro, Inc. He was Dean of Far Eastern University Makati, and Chair of the Accounting, Finance, Business and Governance Department of the De La Salle University Graduate School of Business. He served as Governor of the Province of Oriental, Mindoro. He earned his Ph.D., Major in Public Administration from the University of Santo Tomas, Master in National Security Administration from the National Defense College of the Philippines, Master of Business Administration and Bachelor of Science in Commerce, Major in Accounting degrees from De La Salle University.

Cecile D. Macaalay, age 47, Filipino, is the Treasurer of the Company. She is a practicing Certified Public Accountant. She is currently the Chief Finance Officer of First Lucky Holdings Corporation and the Director of its subsidiaries such as RestaurantConcepts Group, Inc., LAC -DC and Cocosorbetero Holdings, Inc. She is also the Treasurer of CAT Resource & Asset Holdings, Inc. and Assistant Treasurer of Amang Rodriguez Holdings, Inc. She is also serving as the Director of First Lucky Property Corporation and its numerous subsidiaries. She obtained her Bachelor of Science Degree in Business Administration and Accountancy at University of the Philippines in 1990.

Wellerita D. Aguas, age 70, Filipino, is the Vice President for Finance of the Company since October 15, 2014. She held finance positions in the various companies under Jose Cojuangco and Sons, Inc. She is a BSBA graduate of the University of the East.

Janette L. Peña, age 56, Filipino, is the current Corporate Secretary the Company. She is also the Corporate Secretary of CAT Resource & Asset Holdings Inc. and First Lucky Holdings Corp. Ms. Peña is an Independent Director of The Manufacturer's Life Insurance Co. (Phils), Inc. Manulife Financial Plans, Inc., Manulife Chinabank Life Assurance Corporation, China Oceans Philippines, Inc., and Corporate Secretary for Macondray Philippines Co., Inc., other subsidiaries, among others. Ms. Peña graduated from the University of the Philippines with a Bachelor of Science degree in Business Economics (Cum laude). She received her Bachelor of Laws from the University of the Philippines College of Law (Cum laude) and ranked first in the 1985 Philippine Bar Exams. She completed her Master of Laws in Harvard Law School.

Addison B. Castro, age 53, Filipino, is the Assistant Corporate Secretary of the Company. Atty. Castro is a practicing lawyer and a Principal Partner of Gatchalian Castro & Mawis Law Offices. He is a professor of the Lyceum of the Philippines University, College of Law since 2008. He graduated with a degree of Bachelor of Science in Applied Economics at the De La Salle University in 1983. He obtained his Bachelor of Laws degree from the Ateneo de Manila University in 1988.

Family Relationships

Mr. Martin Ignacio P. Lorenzo and Mr. Marco P. Lorenzo are brothers.

Identification of Significant Personnel

Mr. Joselito Angeles, Resident Manager and Mr. Oliver Timbol, General Manager are some of the key personnel who are expected to make significant contribution to the business of the registrant.

Involvement in Certain Legal Proceedings

None of the directors and officers was involved during the past five years in any bankruptcy proceedings. Neither have they been convicted by final judgment in any criminal proceeding or being subject to a pending criminal proceeding, or being subject to any order, judgment or decree of any competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities; nor being found in a civil action to have violated a securities or commodities law, and the judgment has not been reversed, suspended or vacated. As of the years ended June 30, 2015 and June 30, 2014, the Company is not involved in any litigation it considers material.

B. Executive Compensation

The following table summarizes the compensation of key management personnel of the Company for the fiscal years ended June 30, 2015, 2014, and 2013.

FY 2014-2015						
Name	**Position**	**Salary**	**Bonus**	**Transportation**	**Per Diem**	**Total**
October 16, 2014 - June 30, 2015						
Martin Ignacio P. Lorenzo	Chairman of the Board & CEO					
Fernando Ignacio C. Cojuangco	President & COO					
Marco P Lorenzo	Director					
Welerita D. Aguas	VP for Finance					
July 1, 2014 - October 15, 2015						
Jose Cojuangco Jr.	Chairman of the Board & President	P14,481,734	P2,333,336	P3,953,058	P835,000	P21,603,128
Josephine Reyes	Treasurer & Director					
Ernesto Teopaco	Vice President & Director					
Welerita Aguas	VP for Finance					
Eufrocinio dela Merced Jr.	Asst. VP					
All Other Officers & Directors as a group						
TOTAL		**P14,481,734**	**P2,333,336**	**P3,953,058**	**P835,000**	**P21,603,128**

Only four key management personnel including the CEO received compensation for the period October 16, 2014 – June 30, 2015.

FY 2013-2014						
Name	Position	Salary	Bonus	Transportation	Per Diem	Total
Pedro Cojuangco	Chairman of the Board & President					
Josephine Reyes	VP, Treasurer & Director					
Jose Cojuangco Jr.	VP & Director					
Ernesto Teopaco	VP & Director	P8,095,449	P2,023,862	P6,882,432	P260,000	P17,261,743
Emmanuel Cochico	AVP & Asst. Treasurer					
Welerita D. Aguas	AVP for Finance					
All Other Officers & Directors as a group						
TOTAL		**P8,095,449**	**P2,023,862**	**P6,882,432**	**P260,000**	**P17,261,743**

FY 2012-2013						
Name	Position	Salary	Bonus	Transportation	Per Diem	Total
Pedro Cojuangco	Chairman of the Board & President					
Josephine Reyes	VP, Treasurer & Director					
Jose Cojuangco Jr.	VP & Director					
Ernesto Teopaco	VP & Director	P4,403,944	P1,201,099	P1,124,310	P260,000	P6,989,353
Emmanuel Cochico	AVP & Asst. Treasurer					
Welerita D. Aguas	AVP for Finance					
All Other Officers & Directors as a group						
TOTAL		**P4,403,944**	**P1,201,099**	**P1,124,310**	**P260,000**	**P6,989,353**

The Directors Compensation consist of per diem and transportation allowance. There are no any other arrangement including consulting control. Further, there are no warrants and options outstanding as well as no warrants and options repriced.

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C. Security Ownership of Certain Record and Beneficial Owners and Management

Security Ownership of Certain Record and Beneficial Owners

The following table identifies the security ownership of certain record and beneficial owners the Company owning more than 5% of its Common Shares as of 30 September 2015.

Title of Class	Name	Number of Shares Held	Name of Beneficial Ownership	Citizenship	%
Common Shares	PCD Nominee Corporation*	21,626,637	PCD Nominee Corporation	Filipino	76.54
Common Shares	Luisita Trust Fund	4,734,492	Luisita Trust Fund	Filipino	16.76
*Beneficial ownership through PCD Nominee Corporation					
Common Shares	CAT Resource & Asset Holdings Inc.	20,171,914	Martin P. Lorenzo 10,287,675 shares	Filipino	71.40
			Fernando C. Cojuangco 9,884,239 shares	Filipino	

Security Ownership of Management

The following table identifies the security ownership of Management as of 30 September 2015.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership		Citizenship	%
Common	Martin Ignacio P. Lorenzo	10,287,655	Indirect	Filipino	37.3
		20	Indirect	Filipino	0.0
Common	Fernando C. Cojuangco	9,884,219	Indirect	Filipino	35.8
		20	Indirect	Filipino	0.0
Common	Marco P. Lorenzo	20	Indirect	Filipino	0.0
Common	Vigor D. Mendoza II	20	Indirect	Filipino	0.0
Common	Fernan Victor P. Lukban	20	Indirect	Filipino	0.0
Common	Cecile D. Macaalay	500	Direct	Filipino	0.0
Common	Wellerita D. Aguas	998	Direct	Filipino	0.0
Total		**20,173,472**			**73.1**

PART V - CORPORATE GOVERNANCE

The Company's directors, officers and employees complied with all the leading practices and principles on good corporate governance as embodied in its Manual on Corporate Governance.

The Company also complied with the appropriate self-rating assessment and performance evaluation system to determine and measure compliance with its Manual on Corporate Governance.

None of the Company's directors, officers or employees has deviated from the Manual on Corporate Governance.

A continuing review of the Company's Audit Committee Charter is being undertaken to ensure faithful compliance with and further improve its corporate governance.

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COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number: P W 0 0 0 0 0 7 2 7

COMPANY NAME

CENTRAL AZUCARERA DE TARLAC AND SUBSIDIARY

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

San Miguel, Tarlac City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
	894-59-80	

No. of Stockholders	Annual Meeting (Month/Day)	Fiscal Year (Month/Day)
409	02/26	06/30

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mrs. Wellerita D. Aguas	willie_aguas@yahoo.com	818-3911	

CONTACT PERSON'S ADDRESS

3/F First Lucky Place, 2259 Pasong Tamo Extension, Makati City 1231

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

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

OCT 2 0 2015
EXCISE LT REGULATORY DIVISION

SGV
Building a better working world

SyCip Gorres Velayo & Co
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Central Azucarera de Tarlac
San Miguel, Tarlac City

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Central Azucarera de Tarlac and Subsidiary, which comprise the consolidated balance sheets as at June 30, 2015 and 2014, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended June 30, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

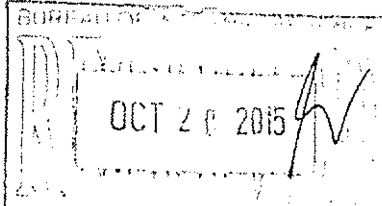
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements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

Auditors' Responsibility

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

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

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



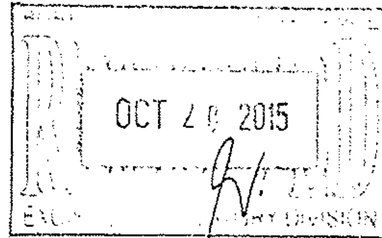
Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Central Azucarera de Tarlac and Subsidiary as at June 30, 2015 and 2014, and its financial performance and its cash flows for each of the three years in the period ended June 30, 2015, in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Jose Pepito E. Zabat III
Partner
CPA Certificate No. 85501
SEC Accreditation No. 0328-AR-3 (Group A),
May 1, 2015, valid until April 30, 2018
Tax Identification No. 102-100-830
BIR Accreditation No. 08-001998-60-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 4751344, January 5, 2015, Makati City

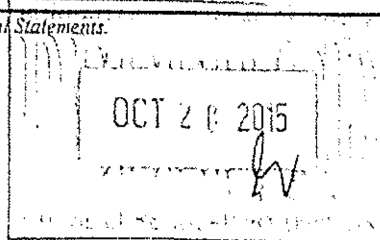
October 8, 2015



CENTRAL AZUCARERA DE TARLAC AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

	June 30	
	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents (Note 7)	₱252,839,700	₱145,717,989
Receivables (Note 8)	777,891,888	169,089,889
Inventories (Note 9)	142,368,808	129,732,878
Real estate held for sale and development (Note 10)	987,238,512	–
Other current assets (Note 12)	61,200,350	16,812,856
	2,221,539,258	461,353,612
Assets classified as held for sale (Note 11)	95,500,000	–
	2,317,039,258	461,353,612
Noncurrent Assets		
Available-for-sale financial assets (Notes 14 and 31)	103,517,560	86,536,687
Property, plant and equipment:		
Land - at revalued amount (Notes 15 and 31)	685,700,000	1,976,000,000
Property and equipment - at cost (Note 15)	374,098,540	315,857,084
Investment property (Note 16)	1,357,400,000	–
Retirement asset (Note 25)	154,067,475	189,809,829
Goodwill (Note 13)	702,146,249	–
Other noncurrent assets (Note 17)	19,817,580	8,954,953
	3,396,747,404	2,577,158,553
TOTAL ASSETS	₱5,713,786,662	₱3,038,512,165
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 18)	₱816,780,683	₱321,367,669
Current portion of notes payable (Note 20)	185,344,935	327,676,811
Deposits (Note 19)	5,793,053	–
Income tax payable	31,459,539	1,699,473
	1,039,378,210	650,743,953
Noncurrent Liabilities		
Notes payable - net of current portion (Note 20)	2,057,202,066	88,666,667
Deferred tax liability - net (Note 27)	373,499,141	619,201,445
Other noncurrent liabilities	–	35,368,649
	2,430,701,207	743,236,761
Equity		
Capital stock (Note 29)	282,545,960	282,545,960
Retained earnings (Deficit)	17,190,004	(191,904,343)
Revaluation increment (Note 15)	1,749,705,250	1,365,157,402
Remeasurement gains on defined benefit liability (Note 25)	117,333,241	128,780,515
Unrealized cumulative gain on available-for-sale financial assets (Note 14)	76,939,990	59,959,117
	2,243,714,445	1,644,538,651
Less cost of 720 shares of stock in treasury (Note 29)	(7,200)	(7,200)
	2,243,707,245	1,644,531,451
TOTAL LIABILITIES AND EQUITY	₱5,713,786,662	₱3,038,512,165

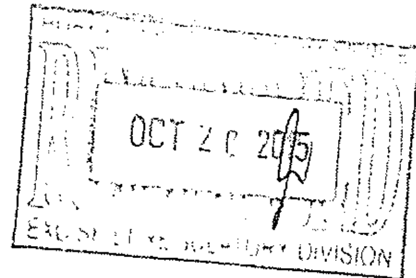
See accompanying Notes to Consolidated Financial Statements.



CENTRAL AZUCARERA DE TARLAC AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended June 30		
	2015	2014	2013
REVENUES			
Sale of sugar and by-products	**₱761,534,665**	₱721,170,547	₱719,379,346
Tolling fees	**231,394,319**	267,513,085	290,668,191
Industrial services	**25,565,781**	–	–
Real estate sale	**5,408,040**	–	–
	1,023,902,805	988,683,632	1,010,047,537
COST OF GOODS SOLD AND SERVICES			
Cost of goods sold (Note 21)	**477,478,489**	511,808,351	554,553,036
Cost of tolling services (Note 22)	**112,695,745**	121,670,759	127,066,220
Cost of industrial services (Note 23)	**12,166,485**	–	–
Cost of real estate sale	**97,001**	–	–
	602,437,720	633,479,110	681,619,256
GROSS INCOME	**421,465,085**	355,204,522	328,428,281
OPERATING EXPENSES (Note 24)	**(129,219,884)**	(157,100,285)	(157,646,238)
OTHER INCOME (EXPENSES)			
Interest expense (Notes 20 and 26)	**(95,181,025)**	(48,598,105)	(39,272,047)
Interest income (Notes 7 and 8)	**4,232,088**	2,891,132	2,900,951
Other income - net	**19,134,242**	15,113,798	13,625,859
	(71,814,695)	(30,593,175)	(22,745,237)
INCOME BEFORE INCOME TAX	**220,430,506**	167,511,062	148,036,806
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 27)			
Current	**79,470,457**	37,825,593	7,965,818
Deferred	**(3,250,410)**	8,438,952	3,532,896
	76,220,047	46,264,545	11,498,714
NET INCOME	**₱144,210,459**	₱121,246,517	₱136,538,092
Basic/diluted earnings per share (Note 29)	**₱5.10**	₱4.29	₱4.83

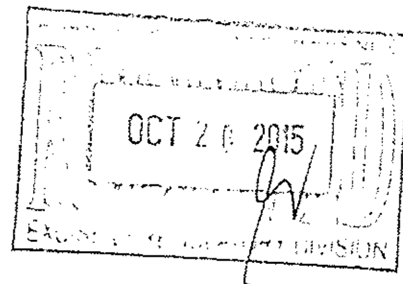
See accompanying Notes to Consolidated Financial Statements.



CENTRAL AZUCARERA DE TARLAC AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended June 30		
	2015	2014	2013
NET INCOME	**₱144,210,459**	₱121,246,517	₱136,538,092
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to profit or loss:			
Unrealized gain on available-for-sale financial assets (Note 14)	**16,980,873**	163,248	430,040
Items that will not be reclassified to profit or loss - net of income tax effect :			
Remeasurement gains (losses) on defined benefit liability (Note 25)	**(11,447,274)**	187,654,181	(35,259,671)
Revaluation increment in land (Note 15)	**429,966,571**	153,300,000	–
	418,519,297	340,954,181	(35,259,671)
OTHER COMPREHENSIVE INCOME (LOSS)	**435,500,170**	341,117,429	(34,829,631)
TOTAL COMPREHENSIVE INCOME	**₱579,710,629**	₱462,363,946	₱101,708,461

See accompanying Notes to Consolidated Financial Statements.

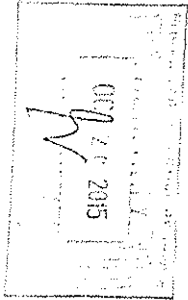


CENTRAL AZUCARERA DE TARLAC AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED JUNE 30, 2015, 2014 AND 2013

	Capital Stock (Note 29)	Retained Earnings (Deficit)	Revaluation Increment (Note 15)	Remeasurement Gains (Losses) on Defined Benefit Liability (Note 25)	Unrealized Cumulative Gain on Available-for-Sale Financial Assets (Note 14)	Treasury Stock (Note 29)	Total Equity
At June 30, 2014	P282,545,960	(P191,904,343)	P1,355,157,402	P128,780,515	P59,959,117	(P7,200)	P1,644,531,451
Total comprehensive income for the year	–	144,210,459	429,966,571	(11,447,274)	16,930,873	–	579,710,629
Sale of land at revalued amount	–	64,883,888	(45,418,723)	–	–	–	19,465,165
At June 30, 2015	P282,545,960	P17,190,004	P1,749,705,250	P117,333,241	P76,939,990	(P7,200)	P2,243,707,245
At June 30, 2013	P282,545,960	(P313,150,860)	P1,211,857,402	(P58,873,666)	P59,795,869	(P7,200)	P1,182,167,505
Total comprehensive income for the year	–	121,246,517	153,300,000	187,654,181	163,248	–	462,363,946
At June 30, 2014	P282,545,960	(P191,904,343)	P1,365,157,402	P128,780,515	P59,959,117	(P7,200)	P1,644,531,451
At June 30, 2012	P282,545,960	(P449,688,952)	P1,211,857,402	(P23,613,995)	P59,365,829	(P7,200)	P1,080,459,044
Total comprehensive income for the year	–	136,538,092	–	(35,259,671)	430,040	–	101,708,461
At June 30, 2013	P282,545,960	(P313,150,860)	P1,211,857,402	(P58,873,666)	P59,795,869	(P7,200)	P1,182,167,505

See accompanying Notes to Consolidated Financial Statements.

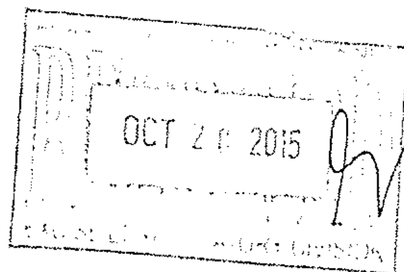


CENTRAL AZUCARERA DE TARLAC AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended June 30		
	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱220,430,506	₱167,511,062	₱148,036,806
Adjustments for:			
Interest expense (Notes 20, 26 and 28)	95,181,025	48,598,105	39,272,047
Depreciation and amortization (Notes 21, 22, 23 and 24)	55,068,140	52,116,155	56,766,595
Interest income (Notes 7 and 8)	(4,232,088)	(2,891,132)	(2,900,951)
Write-off of property and equipment	80,171	–	–
Gain on reversal of liability	–	–	(65,942,455)
Movement in:			
Retirement asset	17,977,514	(15,611,928)	(7,140,740)
Provision for doubtful accounts	919,498	–	25,550
Operating income before working capital changes	385,424,766	249,722,262	168,116,852
Decrease (increase) in:			
Receivables	90,004,372	(33,736,374)	(7,491,345)
Inventories	(12,635,930)	(18,961,974)	44,704,493
Other current assets	(25,971,027)	36,981,419	(12,844,444)
Decrease in:			
Trade and other payables	(49,169,305)	(109,743,518)	(18,010,711)
Deposits	(1,978,079)	–	–
Net cash generated from operations	385,674,797	124,261,815	174,474,845
Income tax paid - net of creditable withholding tax (CWT)	(49,710,391)	(36,126,120)	(7,965,818)
Net cash provided by operating activities	335,964,406	88,135,695	166,509,027
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of a subsidiary - net of cash acquired	(1,227,403,993)	–	–
Additions to property, plant and equipment	(95,959,464)	(61,336,366)	(30,182,092)
Increase (decrease) in other noncurrent assets	705,854	(42,128)	(57,762)
Interest received	3,943,432	2,891,132	2,612,295
Receipt from (payment to) related parties	(612,040,432)	64,184,433	(157,708,468)
Net cash provided by (used in) investing activities	(1,930,754,603)	5,697,071	(185,336,027)
CASH FLOWS FROM FINANCING ACTIVITIES			
Availment of notes payable	2,326,964,585	727,010,144	338,000,000
Payments of:			
Notes payable	(506,343,477)	(710,500,000)	(255,500,000)
Other non-current liabilities	(35,368,649)	–	–
Interest	(83,340,551)	(46,028,044)	(40,116,641)
Net cash provided by (used in) financing activities	1,701,911,908	(29,517,900)	42,383,359
NET INCREASE IN CASH AND CASH EQUIVALENTS	107,121,711	64,314,866	23,556,359
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	145,717,989	81,403,123	57,846,764
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	₱252,839,700	₱145,717,989	₱81,403,123

See accompanying Notes to Consolidated Financial Statements.



1. Corporate Information, Status of Operations, Change in Majority Ownership and Authorization for the Issue of the Consolidated Financial Statements

Corporate Information

Central Azucarera de Tarlac (the Parent Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on June 19, 1927. On January 27, 1976, the Board of Directors and the stockholders approved the extension of the corporate life of the Parent Company for another 50 years. The Parent Company and its wholly owned subsidiary, Luisita Land Corporation (LLC), collectively referred to as "The Group", are engaged in the production of sugar and by products, developing, leasing and selling real properties and other ancillary services.

LLC was incorporated and registered with the SEC on May 11, 1977 primarily for the purpose of developing, leasing and selling real properties. Currently, the subsidiary maintains and operates Luisita Industrial Park (LIP), Luisita Business Park (LBP) and Las Haciendas de Luisita (LHDL) in Tarlac and provides water distribution and wastewater treatment services to locators in LIP and residents of LHDL.

On October 15, 2014, the Parent Company acquired 100% of the total outstanding shares of LLC or the "Subsidiary".

On December 2, 2014, the Board of Directors has approved to amend the Subsidiary's articles of incorporation by changing its corporate name from "Luisita Realty Corporation" to "Luisita Land Corporation" and to amend the principal place of business from JCS Building, 119 Dela Rosa corner Carlos Palanca Jr. Streets, Legaspi Village, Makati City to Luisita Industrial Park, San Miguel, Tarlac City.

The registered office address and place of business of the Parent Company is San Miguel, Tarlac City.

Change in Majority Ownership

On July 26, 2014, CAT Resource & Asset Holdings, Inc. (CRAHI) entered into a Memorandum of Agreement (MOA) with the majority shareholders (the "Cojuangco Family") of the Parent Company for the acquisition of 19,772,510 outstanding common shares at ₱91.00 per share (total consideration of ₱1,799 million). The 19,772,510 common shares represent approximately 69.77% of the total issued and outstanding shares of the Parent Company as of July 26, 2014.

On August 20, 2014, CRAHI made a tender offer to the minority shareholders for the remaining 8,481,366 outstanding common shares at ₱91.00 per share representing 30.02% of the total issued and outstanding shares. The tender offer period expired on September 19, 2014.

At the end of the Tender Offer Period, a total of 1,332,044 shares, comprising 4.71% of the total outstanding capital stock of the Parent Company, were tendered and accepted at the price of ₱91.00 per share (the "Tendered Shares"). Cross and Settlement Date for the Tendered Shares occurred on October 15, 2014, whereupon CRAHI paid the amount of ₱121.2 million for the Tendered Shares in accordance with the Terms of the Tender Offer.

After completion of the Tender Offer, CRAHI owned and held a total of 21,104,554 of the Parent Company's common shares, representing 74.69% of the total outstanding capital stock of the Parent Company.

As part of the agreement, CRAHI will settle the outstanding obligation of Jose Cojuangco and Sons, Inc. (JCSI), one of the selling shareholders, to customers amounting to ₱995.0 million as of September 30, 2014. As such, the Parent Company's financial guarantee pertaining to the obligation of JCSI is extinguished as of that date.

Authorization for the Issue of the Consolidated Financial Statements
The accompanying consolidated financial statements were authorized for issue in accordance with a resolution by the Board of Directors (BOD) on October 8, 2015.

2. Basis of Preparation and Statement of Compliance

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

The consolidated financial statements provide comparative information in respect of the previous period.

As discussed in Note 1, the Subsidiary was acquired only in October 2014. Thus, this is the Group's first consolidated financial statements. The comparative financial statements presented pertain to the Parent Company's primary financial statements issued in those years. This is also the first time that the Parent Company is presenting Parent-only financial statements.

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

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Group and its subsidiary. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an

investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

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

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

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

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

The accompanying consolidated financial statements comprise the financial statements of the Parent Company and its wholly owned subsidiary LLC.

3. Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new, amended and improvements to PFRS, PAS and Philippine Interpretations from IFRIC which the Group has adopted during the year. However, they do not have impact on the financial statements of the Group unless otherwise stated below:

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

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

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

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

- Annual Improvements to PFRSs (2010-2012 cycle)
  In the 2010 - 2012 annual improvements cycle, seven amendments to six standards were issued, which included an amendment to PFRS 13, *Fair Value Measurement*. The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial.

- Annual Improvements to PFRSs (2011-2013 cycle)
  In the 2011 - 2013 annual improvements cycle, four amendments to four standards were issued, which included an amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - First-time Adoption of PFRS*. The amendment to PFRS 1 is effective immediately. It clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements.

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

Standards Issued but not yet Effective

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

- PAS 19 (Amendments), *Employee Benefits – Defined Benefit Plans: Employee Contributions* (effective for annual periods beginning on or after January 1, 2015 and are applied retrospectively) PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service.

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

These annual improvements include:

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization*
  The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

- PAS 24, *Related Party Disclosures – Key Management Personnel*
  The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

- PFRS 2, *Share-based Payment – Definition of Vesting Condition*
  This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

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

- PFRS 3, *Business Combinations – Accounting for Contingent Consideration in a Business Combination*
  The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at FVPL whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement*.

- PFRS 8, *Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments are applied retrospectively and clarify that:

  An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.

  The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

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

These annual improvements include:

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

- PFRS 3, *Business Combinations – Scope Exceptions for Joint Arrangements*
  The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

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

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

Effective in 2016

- PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets* (Amendments) – *Clarification of Acceptable Methods of Depreciation and Amortization* (effective for annual periods beginning on or after January 1, 2016 and are applied prospectively)
  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

- PAS 16, *Property, Plant and Equipment* and PAS 41, *Agriculture* (Amendments) – *Bearer Plants* (effective for annual periods beginning on or after January 1, 2016 and are applied retrospectively)
  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply.

- PAS 27 (Amendments), *Separate Financial Statements – Equity Method in Separate Financial Statements* (effective for annual periods beginning on or after January 1, 2016 and are applied retrospectively)
  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Branch's financial statements.

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (effective for annual periods beginning on or after January 1, 2016 and are applied retrospectively)
  These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

- PFRS 11 (Amendments), *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations* (effective for annual periods beginning on or after January 1, 2016 and are applied prospectively)
  The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

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

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

These annual improvements include:

- PAS 19, *Employee Benefits – Regional Market Issue Regarding Discount Rate*
  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

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

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

Effective in 2018

- PFRS 9, *Financial Instruments* (effective for annual periods beginning on or after January 1, 2018 and are applied retrospectively)
  In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

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

Interpretation whose effective date was deferred

- Philippine Interpretation of IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The Philippne SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

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

- IFRIC 15, *Revenue from Contracts with Customers*
  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is

applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted.

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

4. Summary of Significant Accounting and Financial Reporting Policies

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

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

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS 39, *Financial Instruments: Recognition and Measurement*, is measured at fair value with the changes in fair value recognized in the consolidated statement of income.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

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

An asset is current when it is expected to be realized or intended to be sold or consumed in the normal operating cycle or within twelve (12) months after the reporting date, when it is held primarily for the purpose of trading, or cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve (12) months after the reporting date. All other assets are classified as noncurrent.

A liability is current when it is expected to be settled in the normal operating cycle or due to be settled within twelve (12) months after the reporting date, when it is held primarily for trading, or when there is no unconditional right to defer the settlement of the liability for at least twelve (12) months after the reporting date. All other liabilities are classified as noncurrent.

Fair Value Measurement
The Group measures financial instruments such as AFS financial assets and nonfinancial assets such as land carried at revalued amount and investment property, at fair value at each reporting date. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 31.

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

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

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

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

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.

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

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

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

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

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

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

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

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 Group's financial assets include loans and receivables and AFS financial assets. The Company has no financial assets classified at FVPL, HTM investments and derivatives designated as hedging instruments in an effective hedge as at June 30, 2015 and 2014.

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 consolidated statement of income. Loans and receivables are included in current assets if maturity is within twelve (12) months from the balance sheet date. Otherwise, these are classified as noncurrent assets.

This category includes cash and cash equivalents (excluding cash on hand) 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 financial assets" account in the consolidated statement of income, or determined to be impaired, at which time the cumulative loss is recognized in the consolidated statement of income. Dividends earned on holding AFS equity instruments are recognized in the consolidated statement of income as dividend income when the right of the payment has been established.

The Subsidiary has an investment in AFS which are being classified as current assets.

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 consolidated 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 consolidated 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 consolidated 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 Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either: (a) 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 Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arran7gement 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 Group's continuing involvement in the asset. In that case, the Group 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 Group 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 Group could be required to repay.

Impairment of Financial Assets

The Group 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 effective interest rate or 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 consolidated statement of income.

The Group 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 consolidated income. Interest income continues to be accrued on the reduced carrying amount based on the original EIR of the asset. Loans and receivables, 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 Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is recognized in the consolidated statement of income under "Other income" account.

AFS Financial Assets. The Group treats AFS financial assets as impaired when there is objective evidence that impairment exists.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and current fair value, less any impairment loss previously recognized in the consolidated statement of income, is transferred from equity to the consolidated statement of income. Reversals in respect of equity instruments classified as AFS are not recognized in consolidated statement of income.

In the case of AFS equity investments carried at cost, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

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 Group 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, less directly attributable transaction costs.

The Group's financial liabilities consist of other financial liabilities. As at June 30, 2015 and 2014, the Group 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 consolidated statement of income when the liabilities are derecognized as well as through the EIR amortization process.

This category includes notes payable, trade and other payables (excluding statutory liabilities), due to related parties, and other noncurrent liabilities.

Financial Guarantees. Financial guarantees are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. The Group does not recognize financial guarantees in the financial statements until an obligation to pay the liability of another party to the arrangement is established. It is only disclosed as part of liquidity risk of the Group.

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 consolidated 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.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Cost is determined using the weighted average method for raw and refined 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 conversion, 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 Group, and is creditable against the income tax due of the Group.

Real Estate Held for Sale and Development

Real estate held for sale and development are carried at the lower of cost and NRV. NRV is the selling price in the ordinary course of business, less costs of completion and estimated costs to make the sale. Costs include land cost, expenditures for development and improvements of the property, and borrowing costs.

Assets Classified as Held for Sale

The Group classifies assets as held for sale when their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable. For the sale to be highly probable the appropriate level of management must be committed to a plan to sell the asset and an active program to locate a buyer and complete the plan must have been initiated. Further, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification. Assets held for sale are measured at the lower of their carrying amount or fair value less cost to sell. Impairment losses are recognized for any initial or subsequent write down of the assets held for sale to the extent that these have not been previously recognized at initial recognition. Reversals of impairment losses for any recognized as a gain, but in excess of the cumulative impairment loss that has been previously recognized.

Property, Plant and Equipment

Property, plant and equipment, except for 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 regularly every two (2) years which management believes is sufficient enough to ensure that the fair value of revalued assets does not differ materially from its carrying amount.

Any revaluation surplus, net of tax, is credited to the "Revaluation increment" account included in the equity section of the consolidated balance sheet, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in the consolidated statement of

income, in which case, the increase is recognized in the consolidated statement of other comprehensive income. A revaluation decrease is recognized in the consolidated statement of other comprehensive income, except to the extent that it reverses an existing revaluation surplus on the same asset.

The revaluation surplus included in equity in respect of an item of property, plant and equipment may be transferred directly to retained earnings when the asset is derecognized. This may involve transferring the whole of the surplus when the asset is retired or disposed of. However, some of the surplus may be transferred as the asset is used by the Group. In such a case, the amount of the surplus transferred would be the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Transfers from revaluation surplus to retained earnings are not made through profit or loss.

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 and other direct costs. Construction in-progress is not depreciated until such time the relevant assets are completed and become available for operational use.

Investment Property

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an annual evaluation performed by an accredited external independent value applying a valuation model recommended by the International Valuation Standards Committee.

Investment properties are derecognized either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the consolidated statement of income in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. On subsequent disposal, the revaluation surplus may be transferred to retained earnings; note that this transfer is not made through profit or loss.

Impairment of Nonfinancial Assets

The Group 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 Group makes an estimate of the asset's recoverable amount. The asset's or cash generating unit'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. The 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 Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. 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.

Equity

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.

Retained Earnings (Deficit)

Retained earnings include cumulative profits and are reduced by dividends. Retained earnings also include effect of changes in accounting policies as may be required by the standards' transitional provisions. When retained earnings account has a debit balance, it is called 'deficit' a deficit is not an asset but a reduction from equity.

Revaluation Increment

Any revaluation increment on an asset is credited to the "Revaluation Increment" account in equity, net of tax, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in the statement of income, in which case, the increase is recognized in the statement of income. A revaluation decrease is recognized in the consolidated statement of income, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve.

Treasury Shares

The Group'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 Group's own equity instruments. Any difference between the

carrying amount and the consideration is recognized in the "Additional paid-in capital" account in the consolidated balance sheet.

Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Sales are measured at the fair value of the consideration received, net of discounts and returns. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Group 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 Raw Sugar. Sale of raw sugar is recognized upon endorsement and transfer of quedans and/or issuance of a raw sugar release order in the name of the customer which represents ownership title over the raw sugar.

Sale of By-Products. Sale of by-products, which includes alcohol, carbon dioxide and yeasts, is recognized upon shipment or delivery and acceptance by the customers. Sale of by-products is presented in the statement of income under "Sale of sugar and by products" line item, except for sale of yeasts which is reported net of related direct costs under "Other income."

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

Sale of Real Estate. Revenue from sale of real estate is accounted for using the full accrual method. The Group assesses whether it is probable that the economic benefits will flow to the Group when the contract price is collectible. Collectability of the contract price is demonstrated by the buyer's commitment to pay, which is supported by the buyer's initial and continuing investments that motivate the buyer to honor its obligation. Collectability is also assessed by considering factors such as collections and credit standing of the buyer.

The Group recognizes revenue in full when the buyer has paid 25% of the selling price for property sold. The Group determines that the significant risks and rewards of the property sold are transferred to the buyer at this point.

Back out sales are recognized once the Group determines that a buyer will not be able to continue its commitment to complete payment of the entire contract price. Revenue and cost of sales previously recognized is reversed and the related inventory is recorded back at fair value with any difference recognized as other income or loss.

Nonrefundable payments by customers are recognized as other income.

For income tax purposes, full recognition is applied when more than 25% of the selling price has been collected in the year of sale. Otherwise, the installment method is applied.

Industrial Services. Revenue from industrial services, which include water and wastewater treatment services, and locator fees are recognized as the services are rendered.

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

Other Income. This includes revenue recognized when earned from sources other than the normal business operations of the Group.

Expenses
Cost of Goods Sold and Tolling Services. These are the direct and allocated indirect costs that are incurred upon processing of the Group's products and rendering of the Group's tolling services. These are recognized when the related goods are sold and the related services are rendered.

Cost of Real Estate Sales. Costs from the sale of real estate are recognized when the buyer makes a down payment upon which the significant risks and rewards of the land are transferred.

Cost of Services. Costs that are directly related to water and wastewater treatment services and are recognized when incurred.

Operating Expenses. These are expenses that are related to cost of administering and selling functions of the Group. These expenses are recognized in the Group'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 consolidated 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.

<u>Retirement Cost</u>
The Parent Company has a funded, noncontributory defined benefit retirement plan, covering substantially all of its permanent employees. The Subsidiary does not have a formal retirement plan. Employee who will qualify for retirement will be paid the minimum retirement under Republic Act 7641. Retirement expense is actuarially determined using the projected unit credit method. This method reflects discount rate, salary increase and average working lives of employees to the date of valuation. Retirement benefit costs comprise the following:

- service cost,
- net interest on the net defined benefit liability or asset, and
- remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in consolidated other comprehensive income (OCI) in the period in which they arise. Remeasurements are not reclassified to the statement of income in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a pre-tax discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of plan assets is higher than the present value of defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditures required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

<u>Termination Benefits</u>
Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and an expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the benefit and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefit are measured in accordance with the nature of the employee benefit, as either post-employment benefit, short-term employee benefit, or other long-term employee benefit. Benefits falling due more than twelve months from the reporting date are discounted to their present values.

Employee Leave Entitlement

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period. The liability for leave expected to be settled more than twelve months after the end of the annual reporting period are discounted to its present value.

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 Group incurs in connection with the borrowing of funds.

Segment Information

For management purposes, the Group is organized and managed separately according to the nature of the business. These operating businesses are the basis upon which the Group reports its segment information presented in Note 6 to the consolidated financial statements.

An operating segment is a component of an entity:

a. that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
b. with operating results regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance; and
c. for which discrete financial information is available.

Earnings (Losses) Per Share (EPS)

Earnings (losses) per share is computed by dividing the net income (loss) attributable to equity holders of the Group 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 (loss) attributable to equity holders of the Group 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. As the Group has no dilutive potential common shares outstanding, basic and diluted EPS are the same.

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 Group'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.

5. Summary of Significant Accounting Judgments, Estimates and Assumptions

The Group'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 Group'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:

Business Combination. In October 2014, the Parent Company acquired all the 349,900 outstanding shares of LLC. The Parent Company's acquisition of LLC is considered as a business acquisition since LLC has all three components of a business (inputs, processes and outputs) and is capable of providing a return to its owners. Also given that the total fair value of the acquired set of activities and assets is more than and the fair value of the net identifiable assets, the existence of value in excess of the fair value of identifiable assets (i.e. goodwill) creates a presumption that the acquired set is a business.

Classification of Property. The Group determines whether a property is classified as real estate held for sale and development, investment property or property plant and equipment as follows:

Real estate held for sale includes parcels of land developed into a first class residential subdivision and an industrial community. Real estate held for development pertains to parcel of land still undeveloped.

Investment property comprises land which is not occupied for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily for capital appreciation.

Property plant and equipment is held for use in the supply of goods or services or for administrative purposes.

Distinction between investment property and property plant and equipment. The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Property plant and equipment generate cash flows that are attributable not only to property but also to the other assets used in the production or supply process. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately at the reporting date, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

In 2015, the Group reclassified land at revalued amount from *Property Plant and Equipment* to *Investment Property* due to the change in the use of the property. The change is triggered by the decision of the new management to release the previously earmarked land for expansion, following its strategic direction to improve factory efficiency and productivity. As a result, such land area is no longer required for cane milling and sugar refinery operations. Therefore, it was deemed necessary to reclassify the said property to be held for capital appreciation to make it available for future use that has yet to be determined.

The carrying values of real estate held for sale and development, investment property, and land under property plant and equipment as of June 30, 2015 amounted to ₱987.2 million, ₱1,357.4 million, ₱685.7 million, respectively. The carrying value of land under property plant and equipment as of June 30, 2014 amounted to ₱1,976.0 million. (see Notes 10, 15 and 16).

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

Contingencies. The Group's estimate of the probable costs for the resolution of claims and proceedings 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 Group 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 Group'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. Management assessed that the likelihood that any liability arising from such legal actions is remote, hence, no provision for liability has been recognized in the financial statements.

Assets Held for Sale. The Group classified its investment in Liberty Insurance Corporation (LIC) as "Assets classified as held for sale" in the 2015 consolidated balance sheet for the following reasons (see Note 11):

- The carrying amount of the investment in associate will be recovered principally through a sale transaction rather than through continuing use;
- The investment in associate is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and the sale highly probable;

- The sale is expected to occur within one year from the reporting date and it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;

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.

Purchase Price Allocation in Business Combination. The acquisition method requires extensive use of accounting estimates and judgments to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities at acquisition date. It also requires the acquirer to recognize goodwill. The Parent Company's acquisition during the year has resulted in goodwill.

On October 15, 2014, the Parent Company acquired the 100% of the total outstanding shares of LLC. The Parent Company recognized goodwill from the business combination amounting to ₱702.1 million (see Note 13).

Allowance for Doubtful Accounts. Allowance for doubtful accounts is calculated through the specific identification method. Through this method, the Group evaluates the information available that certain debtors 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 the debtor and the debtor's current credit status based on third party credit reports and known market factors, to record specific reserves for debtors 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 Group made different assumptions or utilized different estimates.

Provisions for doubtful accounts recognized in 2015, 2014 and 2013 amounted to ₱919,498, nil and ₱25,550 respectively. The carrying amounts of receivables as at June 30, 2015 and June 30, 2014 amounted to ₱777.9 million and ₱169.1 million, respectively (see Note 8).

Allowance for Inventory Obsolescence. The Group 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 2015, 2014 and 2013. The carrying amounts of inventories as at June 30, 2015 and June 30, 2014 amounted to ₱142.4 million and ₱129.7 million, respectively (see Note 9).

Impairment of AFS Financial Assets. The Group treats AFS financial assets as impaired when there has been a significant or prolonged decline in the fair value below its costs or other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Group generally treats a decline of 20% or more of the original cost of investments as 'significant', and a period greater than six months as 'prolonged'. In addition, the Group 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 Group would suffer an additional loss representing the write down of cost to its fair value.

No provision for impairment of AFS financial assets was recognized in 2015, 2014 and 2013. The carrying amounts of AFS financial assets as at June 30, 2015 and June 30, 2014 amounted to ₱103.5 million and ₱86.5 million, respectively (see Note 14).

NRV of Real Estate held for Sale and Development. The Group provides allowance for decline in value of real estate inventories whenever NRV of inventories becomes lower than cost due to damage, physical deterioration, change in price levels or other causes. Estimates of NRV are based on the most realizable evidence available at the time the estimates are made, of the amount the inventories are expected to realize.

There was no allowance for decline in inventory value in 2015 and 2014. The carrying amounts of inventories as of June 30, 2015 and 2014 amounted to ₱987.2 million and nil, respectively (see Note 10).

Fair Value of Land under Property Plant and Equipment and Investment Property. The Group'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 by real estate valuation experts 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 significant methods and assumptions used by the appraiser in estimating fair values of land are discussed in Notes 15 and 16. The fair values of land under property plant and equipment as at June 30, 2015 and 2014 amounted to ₱685.7 million and ₱1,976.0 million, respectively (see Note 15). The fair value of land under investment property as at June 30, 2015 and 2014 amounted to ₱1,357.4 million and nil, respectively (see Note 16).

Estimated Useful Lives of Property, Plant and Equipment. The Group 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 2015 and 2014. The carrying values of property, plant and equipment carried at cost as at June 30, 2015 and 2014 amounted to ₱374.1 million and ₱315.9 million, respectively (see Note 15).

Impairment of Nonfinancial Assets, including Goodwill. The Group assesses whether there are any indicators of impairment for all nonfinancial assets at every reporting date. Nonfinancial assets with indefinite life such as goodwill are tested for impairment annually and at other times when impairment indicators exist. Other nonfinancial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

The factors that the Group considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

If any such indication exists or in case of nonfinancial assets with indefinite life, the recoverable amount of the asset is estimated. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Recoverable amount is estimated for an individual asset or, if it is not possible, for the CGU to which the asset belongs.

There were no provision for impairment losses recognized in 2015, 2014 and 2013. The fair values of land under property plant and equipment as at June 30, 2015 and 2014 amounted to ₱685.7 million and ₱1,976.0 million, respectively (see Note 15). The carrying amounts of property, plant and equipment carried at cost as at June 30, 2015 and June 30, 2014 amounted to ₱374.1 million and ₱315.9 million, respectively (see Note 15). The carrying amounts of other noncurrent assets as at June 30, 2015 and 2014 amounted to ₱19.8 million and ₱9.0 million, respectively (see Note 17). Goodwill recognized as of June 30, 2015 amounted to ₱702.1 million (see Note 13).

Deferred Income Tax Assets. The Group 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 Parent Company's deferred income tax assets arising from temporary differences as at June 30, 2015 and 2014 amounted to ₱20.6 million and ₱22.8 million, respectively (see Note 27). Unrecognized deferred taxes arising from temporary differences of the Subsidiary amounted to ₱145.9 million and ₱203.7 million as at June 30, 2015 and 2014, respectively (see Note 27).

Retirement Asset. The determination of the obligation and cost for retirement is dependent on the selection of certain assumptions determined by management and used by actuaries in calculating such amounts. These include discount rate, turnover rate, mortality rate, salary increase rate and future retirement benefits increase. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement obligation. The assumptions used are disclosed in Note 25.

Retirement expense recognized in 2015, 2014 and 2013 amounted to ₱18.3 million, ₱11.7 million and ₱8.9 million, respectively (see Note 25). The carrying amounts of the Group's net retirement asset as at June 30, 2015 and 2014 amounted to ₱154.1 million and ₱189.8 million, respectively (see Note 25).

6. Segment Information

The Group's operating businesses are organized and managed according to the nature of the products and services marketed, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group has operations only in the Philippines. The Group derives revenues from two main segments as follows:

Sugar and by products
This segment pertains to production of sugar (raw and refined) and sugar by-products such as molasses, alcohol and carbon dioxide.

Real Estate
This segment pertains to developing, leasing and selling real properties and other ancillary services.

Prior to the Parent Company's acquisition of LLC, the Group was only engaged in integrated sugar business.

	Sugar and by products	**Real Estate**	**Eliminations**	**Total**
Revenues	₱992,928,984	₱30,973,821	₱–	₱1,023,902,805
Cost of goods sold and services	590,174,234	12,263,486	–	602,437,720
Gross income	402,754,750	18,710,335	–	421,465,085
Operating expenses	(121,412,663)	(7,807,221)	–	(129,219,884)
Other income (expenses)				
Interest expense	(90,047,683)	(31,155,617)	26,022,275	(95,181,025)
Interest income	30,064,779	189,584	(26,022,275)	4,232,088
Other income - net	17,058,701	2,075,541	–	19,134,242
Segment income before income tax	**₱238,417,884**	**(₱17,987,378)**	**₱–**	**₱220,430,506**
Segment assets	**₱5,138,405,576**	**₱1,076,927,575**	**(₱501,546,489)**	**₱5,713,786,662**
Segment liabilities	**₱2,876,142,353**	**₱1,847,397,198**	**(₱1,253,460,134)**	**₱3,470,079,417**

Inter-segment income and advances are eliminated upon consolidation and reflected in the eliminations column.

7. Cash and Cash Equivalents

This account consists of:

	2015	2014
Cash on hand	**₱464,431**	₱77,000
Cash in banks	**152,278,156**	133,543,876
Cash equivalents	**100,097,113**	12,097,113
	₱252,839,700	₱145,717,989

Cash in banks earn interest at the respective bank deposit rates.

During the year, the Group made temporary cash investments to local banks with average maturity of 30 days. Interest rates ranges from 1.50% to 2.38% per annum in 2015 and 2% in 2014.

Interest income earned from cash in banks and cash equivalents amounted to ₱1.1 million in 2015, ₱0.3 million in 2014 and ₱0.6 million in 2013.

8. Receivables

This account consists of:

	2015	2014
Trade - net of allowance for doubtful accounts:		
Non-affiliates	**₱22,027,419**	₱59,854,796
Affiliates	**–**	2,923,104
	22,027,419	62,777,900
Due from related parties (see Note 26)	**543,737,104**	62,929,344
Planters' receivables	**14,194,505**	24,238,161
Advances to directors, officers and employees (see Note 26)	**3,280,904**	10,289,519
Advances to Tarlac Development Corporation (TDC)	**161,261,502**	–
Advances to JCSI	**14,600,758**	–
Advances to CAT Realty Corporation (CRC)	**15,422,542**	–
Advances to Luisita Golf and Country Club, Inc. (LGCCI)	**2,451,600**	–
Others	**4,643,889**	14,011,688
	759,592,804	111,468,712
Less allowance for doubtful accounts	**3,728,335**	5,156,723
	755,864,469	106,311,989
	₱777,891,888	₱169,089,889

Trade receivables from non-affiliates are noninterest-bearing and are generally on 30 to 60 days' terms.

Planters' receivables are subject to interest at 12% and 18% per annum in 2015 and 2014, respectively. Interest income earned from planters' receivables amounted to ₱3.1 million in 2015, ₱2.4 million in 2014 and ₱1.7 million in 2013.