110142016002137

SECURITIES AND EXCHANGE COMMISSION

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Company Information

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Company Name	CENTRAL AZUCARERA DE TARLAC
Industry Classification	
Company Type	Stock Corporation

Document Information

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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

0	6		3	0
Month			Year	

Fiscal Year

17-A ANNUAL REPORT

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Month			Year

Annual Meeting

Secondary License Type, If Applicable

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Amended Articles Number/Section

Total Amount of Borrowings

3	9	1

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel Concerned

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STAMPS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, *AS AMENDED*

**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, 2016**

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. **San Miguel, Tarlac City, Tarlac** — **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	28,253,876

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

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SEC FORM 17-A

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% represents the company's mill share, 69% belongs 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 31% and 69%, 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 sugars 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 with the crop year.

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 industrial users.

Industrial Services

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

Industrial Profile

Over the last five (5) consecutive years of production, an accumulated 25 million metric tons (MMT) surplus had been added to the world inventory. However, the world sugar economy this 2015 -2016 season is projected by the International Sugar Organization (ISO) to result with a deficit of 5.744 MMT.

The deficit of 5.744 MMT were brought about by two (2) factors: 1) world production was down by 5.385 MMT or 3.14% from the previous season following the August 2016 estimates of world sugar production from 171.225 MMT to 165.840 MMT; and, 2) world consumption increased by 4.095 MMT to this year's 171.584 MMT.

The projected higher output from Brazil was insufficient to off-set the projected drop in production by Thailand and China. India's final production figures, likewise, pointed towards a downward revision by around 1 MMT. On the other hand, the anticipated growth in consumption of 2.4% to 171.584 MMT is generally in line with the upward trend of a yearly average growth rate of 1.93% over the past 10 years.

For the 2015 -2016 season, the ending stocks are estimated to reach 82.561 MMT or 48.12% of the annual global consumption.

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	World Sugar Balance (Million tons, raw value)			
	2015-16	2014-15	Change	
			in mln t	in percent
Production	165.840	171.225	(5.385)	-3.14%
Consumption	171.584	167.489	4.095	2.44%
Surplus/(Deficit)	(5.744)	3.736	(9.480)	-253.75%
Import Demand	58.362	52.560	5.802	11.04%
Export Availability	58.501	55.639	2.862	5.14%
End Stocks	82.561	87.324	(4.763)	-5.45%
Stock/Consumption Ratio, in percent	**48.12%**	**52.14%**		

The developments in the world sugar economy boosted market prices for the sweetener. After touching an 8-year low of 10.37 cents per pound sometime in August last year, the world market prices slowly inched up to its current level of about 20.00 cents per pound.

The generally unfavorable weather conditions that prevailed throughout the country brought about by the El Nino phenomenon dragged down the country's sugar productivity. A combination of lower total tonnage and overall yield pulled down the total raw sugar output for the season. The total canes milled dipped 0.55% or by 129,436 tons to 23,254,083 tons. On the other hand, the yield per ton also declined by 3.12%, from 1.99 to 1.93 50-kilogram bags per ton cane milled. As a result, the nation's raw sugar output dropped by 3.66% or by 1,698,900 50-kilogram bags to a total of 44,777,440 50-kilogram bags or 2.238 million metric tons.

Central Azucarera de Tarlac followed the cadence set by the sugar industry. The generally dry weather condition that prevailed in Central Luzon which affected cane growth reduced raw sugar cane output in the region. Total canes milled from the Central Luzon mill districts dropped 14.40% or by 116,521 tons to a total of 692,802 tons. Of the total, CAT secured 76.00% or 526,542 tons. This is slightly lower when compared against last year's share of 77.50% or 627,231 tons out of the total available canes of 809,323 tons.

CANE TONNAGE - PHILIPPINES - CY 2015-16 & CY 2014-15						
MILLS	**TONS CANE MILLED**				**% SHARE IN TOTAL**	
	2015-16	**2014-15**	**GROWTH**	**%**	**2015-16**	**2014-15**
LUZON						
Cagayan	212,594	187,324	25,270	13.49%	0.93%	0.80%
Bicol	193,508	150,574	42,934	28.51%	0.84%	0.64%
Batangas	1,433,011	1,634,284	(201,273)	-12.32%	6.25%	6.99%
Pampanga	166,260	182,092	(15,832)	-8.69%	0.72%	0.78%
Tarlac	526,542	627,231	(100,689)	-16.05%	2.30%	2.68%
VISAYAS						
Panay	1,855,985	1,637,771	218,214	13.32%	8.09%	7.00%
Eastern Visayas	663,386	416,727	246,659	59.19%	2.89%	1.78%
Negros	13,973,558	14,056,727	(83,169)	-0.59%	60.92%	60.11%
MINDANAO	3,912,200	4,490,789	(578,589)	-12.88%	17.06%	19.20%
Total	**22,937,044**	**23,383,519**	**-446,475**	**-1.91%**	**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 627,231 tons of sugarcane. This resulted to the production of over 1.03M 50-kilogram bags of raw sugar.

CANE TONNAGE - CENTRAL LUZON - CY 2015-16 & CY 2014-15						
MILLS	**TONS CANE MILLED**				**% SHARE IN TOTAL**	
	2015-16	**2014-15**	**GROWTH**	**%**	**2015-16**	**2014-15**
Sweet Crystal	166,260	182,092	(15,832)	-8.69%	24.00%	22.50%
Tarlac	526,542	627,231	(100,689)	-16.05%	76.00%	77.50%
Total	**692,802**	**809,323**	**-116,521**	**-14.40%**	**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 45-47) 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

As of June 30, 2016, following is the employee details:

	Exec./Mgrl./Supv.		Rank/File		Retainer/	Total
	Perm.	Prob.	Perm.	Prob.	Consultant	
CAT- TARLAC	72	0	189	0	11	272
CAT- MAKATI	10	0	3	0	3	16
LRC	5	0	7	0	0	12
TOTAL	**87**	**0**	**199**	**0**	**14**	**300**

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. Planters who have become beneficial owners of agricultural land have begun to explore or engage in 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 collaborates with the government agencies such as the Sugar Regulatory Administration (SRA), whose purpose is to protect the domestic sugar players, and participates in other government programs to uphold the progression of the sugar industry in the Philippines.

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 entirety is located approximately 3.5 kms west from Luisita Interchange of the SCTEX, or 4.5 kms. East from McArthur Highway/Luisita Business Park; and about 10.0 kms Southeast from the downtown of Tarlac City.

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.

Property Management and Utility Distribution. Thru CAT's subsidiary, LLC, the Company provides property management and water distribution services to locators to commercial and industrial districts within the ten (10) barangays of Tarlac City.

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 2014-2016 and its last trading date.

Market Information				
Year	**Quarter**	**Period**	**High**	**Low**
2016-2017	1Q	July - September	239.00	120.00
2015 - 2016	1Q	July - September	109.90	71.55
	2Q	October - December	100.00	83.15
	3Q	January - March	240.00	95.00
	4Q	April - June	239.00	120.00
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

Market Information (Last Trading Date)	
Date	October 6, 2016
Open	164.90
High	164.90
Low	164.90
Close	164.90
Volume	0.00

Holders of Security

The following table enumerates the top 20 shareholders of the Company as of 30 September 2016.

	Name of Stockholder	Citizenship	Amount Subscribed (Php)	No. of Shares Held	% Total Outstanding
1	PCD NOMINEE CORPORATION (FILIPINO)	Filipino	264,564,190	26,456,419	93.6%
2	PCD NOMINEE CORPORATION (FOREIGN)	Others	5,074,040	507,404	1.8%
3	ROMULO, MARILES C.	Filipino	441,240	44,124	0.2%
4	OLLER, MA. MERCE FORMENTI	Spanish	430,880	43,088	0.2%
5	SANTIAGO, O' MARINA SOLDEVILLA	Spanish	369,040	36,904	0.1%
6	SENCHERMES, JUAN GALOBART	Spanish	326,160	32,616	0.1%
7	ALCANTARA, VALERIO	Filipino	280,160	28,016	0.1%
8	DELA RIVA, CARMEN GALOBART	Spanish	277,440	27,744	0.1%
9	IRAGORRI, EDUARDO GALLARZA	Spanish	272,560	27,256	0.1%
10	DE LEON, JOSE Y JOVEN	Filipino	268,680	26,868	0.1%
11	MENDOZA, NESTOR C.	Filipino	250,960	25,096	0.1%
12	MORTON, CHARLES V.	American	243,440	24,344	0.1%
13	CHUA, WILLINGTON	Filipino	233,100	23,310	0.1%
14	CHEE, LIM BENG	Chinese	231,840	23,184	0.1%
15	RECTOR DEL SEMINARIO MAYOR DE SAN CARLOS	Filipino	221,480	22,148	0.1%
16	DELGADO, NELLIE C.	Filipino	219,040	21,904	0.1%
17	FORD, THOMAS J.	American	210,320	21,032	0.1%
18	MARTIN, FRANCISCO LON	Filipino	204,400	20,440	0.1%
19	DE GUTIERRES, TERESA MARTINEZ VDA	Spanish	198,160	19,816	0.1%
20	HEIRS OF MA. VICTORIA MARFA SATRUSTEGUI	Spanish	178,720	17,872	0.1%
TOTAL:			**274,495,850**	**27,449,585**	**97.2%**

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 2016.

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 2016.

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
		1,000	Indirect	Filipino	0.0
Common	Janette L. Peña	0	-	Filipino	0.0
Common	Addison B. Castro	0	-	Filipino	0.0
Total		**20,174,474**			**73.1**

Dividends

2015 – 2016- No dividends declared
2014 - 2015 - No dividends declared
2013 - 2014 - No dividends declared
2012 - 2013 - No dividends declared
2011 - 2012 - 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, 2016, the Company's Authorized Capital Stock remains at ₱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 391 stockholders.

The Company is awaiting approval by the Securities Exchange Commission (SEC) to implement the stock split as approved by the Board of Directors last April 19, 2016 and ratified by the Shareholders last June 15, 2016. The stock split will result from a ₱10 per share par value to ₱1 per share. This is to allow a wider base for the public to participate, invest, and gain in the Company's growth, and enhance the value of the shares.

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PART III - FINANCIAL INFORMATION

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

Executive Summary

Central Azucarera de Tarlac concluded the fiscal year 2016 with an EBITDA of ₱447.8M and Net Income of ₱176.7M, an increase of 21% and 22% respectively, compared with fiscal year 2015. The continuous growth in profitability was a result of focused initiatives to sustain the financial performance progression of the Company amidst the challenges encountered.

Despite the occurrence of "El Nino" which greatly affected the cane supply within Central Luzon and brought about the drop in sugar cane volume from 627K TC to 527K TC, the Company came ahead with 2016's sugar revenues of ₱572.4M from ₱546.6M in 2015. Sugar prices played a significant role in compensating the drop in volume allowing most players in the sugar industry to maintain its revenue levels.

Moreover, CAT has optimized the sale of other auxiliary products such as alcohol and carbon dioxide, both impacting the Company's revenues with ₱168.5M increase or 198%.

Meanwhile, the 5% increase in cost of goods sold resulted from the decreased cane supply unable to cover fixed manufacturing costs, the further increase in such was mitigated by affecting the Company's strategies on the plant productivity and efficiencies.

The operating expenses with a drop of ₱20.0M or 15% were the outcome of the Company's continuous commitment to manage competently and effectively its resources to guarantee continuous maximization of the business.

Capping the fiscal year 2016, CAT forged ahead as it successfully upheld its yearly increases in its EBITDA margin with 37% and with a respectable Net Income margin of 15%.

The following table is the Consolidated Statement of Income of the Company and its subsidiary, Luisita Land Corporation ("LLC"), for the fiscal years ending 31 June 2016, 2015 & 2014. LLC's results of operations were consolidated beginning 16 October 2014.

(In Million Pesos except for Volume, Price & EPS)	FY 2016		FY 2015		FY 2014	
	526,543	TC	627,231	TC	720,247	TC
	AMT	%	AMT	%	AMT	%
VOLUME AND PRICE MATRIX	**Vol**	**P**	**Vol**	**P**	**Vol**	**P**
Raw Sugar Equivalent	321,906	1,778	365,389	1,496	395,478	1,423
Tolling of Refined Sugar	938,170	239	1,027,492	222	1,079,544	222
Alcohol	7,156,011	49	4,480,374	42	3,504,198	37
Carbon Dioxide	2,917,638	12	1,971,318	14	2,320,413	12
REVENUE	**1,214.04**	**100%**	**1,023.90**	**100%**	**988.67**	**100%**
Sugar	572.37	47%	546.62	53%	562.75	57%
Tolling of Refined Sugar	224.04	18%	227.86	22%	239.40	24%
Alcohol	347.17	29%	187.31	18%	130.56	13%
Tolling of Alcohol		0%	3.54	1%	28.11	5%
Carbon Dioxide	36.23	3%	27.61	3%	27.84	3%
Industrial services	33.28	3%	25.57	0%	.00	0%
Real estate sale	.95	0%	5.41	0%	.00	0%
COST OF GOODS SOLD AND SERVICES	**746.56**	**61%**	**602.44**	**59%**	**633.48**	**64%**
Costs of goods sold	626.38	52%	477.48	47%	511.81	52%
Costs of tolling services	102.03	8%	112.70	11%	121.67	12%
Cost of industrial services	18.07	1%	12.17	0%	.00	0%
Cost of real estate	.08	0%	.10	0%	.00	0%
GROSS PROFIT	**467.48**	**39%**	**421.47**	**41%**	**355.19**	**36%**
OPERATING EXPENSES	**109.19**	9%	**129.22**	13%	**157.10**	16%
OPERATING PROFIT (LOSS) BEFORE INTEREST AND TAXES	**358.29**	**30%**	**292.25**	**29%**	**198.09**	**20%**
Interest expense and bank charges	**(123.69)**	-10%	**(95.18)**	-9%	**(48.60)**	-5%
Interest income	**1.23**	0%	**4.23**	0%	**2.89**	0%
Others - net	**32.69**	3%	**19.13**	2%	**15.11**	2%
INCOME (LOSS) BEFORE TAX	**268.51**	**22%**	**220.43**	**22%**	**167.50**	**17%**
PROVISION FOR INCOME TAX	**91.86**	**8%**	**76.22**	**7%**	**46.26**	**5%**
NET INCOME [LOSS]	**176.65**	**15%**	**144.21**	**14%**	**121.23**	**12%**
EBITDA	**447.82**	**37%**	**370.68**	**36%**	**268.23**	**27%**
EPS	**₱6.25**		**₱5.10**		**₱4.29**	

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Plan of Operation

Outlook for FY 2016-2017

For the second year in a row, the world sugar economy is projected to post a production deficit. Only recently, the International Sugar Organization (ISO) released its first full-scale forecast for 2016-17. World sugar output is projected at 168.010 MMT. On the other hand, the world consumption is estimated to reach 175.058 MMT. As a result, another year of production deficit is projected of around 7.048 MMT. A deficit reduces the stock-to-consumption ratio to 43%, the lowest level in recent past. The projected deficit might trigger a surge in market values of 24 cents per pound as what occurred in 2009-10 & 2011-12 when the stock consumption ratio was at 45%. Seemingly, world market values is poised to continue moving upwards particularly in the first half of 2017 when the harvest in the all-important Centre-South of Brazil will end.

	World Sugar Balance (Million tons, raw value)			
	2016-17	2015-16	Change in mln t	Change in percent
Production	168.010	165.840	2.170	1.31%
Consumption	175.058	171.584	3.474	2.02%
Deficit	(7.048)	(5.744)	(1.304)	22.70%
Import Demand	56.695	58.362	(1.667)	-2.86%
Export Availability	56.610	58.501	(1.891)	-3.23%
End Stocks	75.598	82.561	(6.963)	-8.43%
Stock/Consumption Ratio, in percent	**43.18%**	**48.12%**		

The Philippines is projected to produce approximately 2.25 million tons of raw sugar for Crop Year 2016-17. Based on recent SRA issuance of Sugar Order No. 1 dated August 31, 2016, the allocation is as follows:

Sugar Classes	Production MMT	% Allocation
"A" or U.S. Market Sugar	0.180	8%
"B" or Domestic Sugar Market	2.070	92%
"D" or World Sugar Market	-	0%
	2.25	**100%**

The allocation for "A" US quota allows for reallocation of unfilled shipments by other quota-holder countries.

Meanwhile the allocation of "B" sugar can be affected by the carry-over stock from around 750,000 tons including the sugar imports in CY 2015-16. This could put downward pressure on the domestic market values for the sweetener which is currently at a relatively high level of P1,700 – P1,800 per 50-kilogram bag of raw sugar.

For the coming milling season, Central Azucarera de Tarlac (CAT) is faced with the challenge of maximizing haulage of the available canes in Central Luzon, in Tarlac and Pampanga in particular. CAT is targeting to surpass 600,000 tons cane for the season. CAT is expected to begin the milling season on November 8, 2016.

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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.

Revenue	FY 2016	FY 2015	FY 2014
Revenue (in million Php)	1,214.04	1,023.90	988.67
% Growth	19%	4%	4%

EBITDA	FY 2016	FY 2015	FY 2014
EBITDA (in million Php)	447.8	370.7	268.2
% Growth	21%	38%	54%
EBITDA Margin	37%	36%	27%

Net Income	FY 2016	FY 2015	FY 2014
Net income (in million Php)	176.65	144.21	121.23
% Growth	22%	19%	168%
Net Income Margin	15%	14%	12%

Earnings per share	FY 2016	FY 2015	FY 2014
Earnings per share (in Php)	6.25	5.10	4.29

Milling Recovery	FY 2016	FY 2015	FY 2014
Milling recovery (Lkg/TC)	1.652	1.841	1.880

FY 2016 Review of Operations

Revenues

REVENUES *In Million Pesos*	2016	2015	2014	Growth %	
				2016 vs 2015	2015 vs 2014
Sugar	572.4	546.6	562.8	5%	-3%
Tolling of Refined Sugar	224.0	227.9	239.4	-2%	-5%
Alcohol	347.2	187.3	130.6	85%	43%
Tolling of Alcohol	.0	3.5	28.1	-100%	-87%
Carbon Dioxide	36.2	27.6	27.8	31%	-1%
Industrial services	33.3	25.6	.0	30%	0%
Real estate sale	1.0	5.4	.0	-82%	0%
TOTAL	**1,214.0**	**1,023.9**	**988.7**	**19%**	**4%**

For the Fiscal Year 2015-2016, the gross revenues from the sale of products and services amounted to ₱1,214.0M, higher by ₱190.1M or 19% from the last year. The increase in the total revenues was achieved despite the almost 19% drop in cane tonnage and its resultant effects in the overall productivity. The achievement was a combination of improved market prices for raw sugar, alcohol, tolling fee and other operational actions instituted to mitigate the negative effects of the lower cane tonnage.

- Improved raw sugar composite price triggered the increase in sugar sales by ₱25.8M or 5% despite of decreased volume sold.
- Tolling of refined sugar decreased by ₱3.8M or 2% due to lower available raw sugar for refining, despite of the increase in tolling fee per 50-kilogram bag of refined sugar by 8%.
- Alcohol sales volume growth by 60% and price growth of 16% boosted the significant increase in alcohol revenues by ₱159.9M or 43%.
- Carbon dioxide sales increased by ₱8.6M or 31% due to the increase in volume sales by 48% in spite of the decrease in average selling price.

Cost of Goods Sold

Cost of goods sold increased by ₱148.9M or 31% this year from ₱477.5M to ₱626.4M. The following table summarizes the breakdown of cost of goods sold:

COST OF GOODS SOLD *In Million Pesos*	2016	2015	2014	Growth %	
				2016 vs 2015	2015 vs 2014
Salaries, wages bonuses and other benefits	48.2	151.5	168.5	-68%	-10%
Repairs & Maintenance	98.3	102.1	151.7	-4%	-33%
Inventory cost,spare parts and supplies	322.2	67.6	16.0	376%	323%
Depreciation and amortization	46.3	48.5	46.3	-5%	5%
Freight and transportation	37.5	43.9	54.0	-14%	-19%
Security and outside services	44.4	18.7	25.3	137%	-26%
Retirement	-3.7	12.2	8.1	-130%	50%
Power and steam	7.3	6.5	6.1	12%	7%
Insurance	4.3	4.0	4.4	8%	-9%
Taxes and licenses	1.5	2.9	5.0	-47%	-42%
Others	20.0	19.6	26.5	2%	-26%
TOTAL	**626.4**	**477.5**	**511.8**	**31%**	**-7%**

- Salaries and wages decreased by ₱103.3M or 68% which is the subsequent effect of the Company's rightsizing strategy last year.
- Inventory cost, spare parts and supplies increased by ₱254.6M or 376% due to the purchase of molasses in significant volumes and other raw materials, brought about by the intensified efforts to increase production levels.
- Outside services grew by ₱25.7M or 137% as the Company engaged the services of an agency to supply manpower services during milling season.

Cost of Tolling Services

Cost of tolling decreased by ₱10.7M or 9% this year from ₱112.7M to ₱102.0M. The table summarizes the breakdown of cost of tolling:

COST OF TOLLING SERVICES *In Million Pesos*	2016	2015	2014	Growth %	
				2016 vs 2015	2015 vs 2014
Salaries, wages bonuses and other benefits	8.7	24.4	26.7	-64%	-9%
Repairs & Maintenance	20.4	20.7	32.1	-1%	-36%
Spare parts and supplies	11.2	9.6	6.4	17%	49%
Depreciation and amortization	4.1	2.1	2.9	95%	-27%
Freight and transportation	4.7	5.5	5.4	-14%	2%
Security and outside services	5.5				
Retirement	-.9	2.9	1.4	-130%	100%
Power and steam	44.6	43.3	42.7	3%	1%
Insurance	1.0	1.0	1.2	0%	-22%
Taxes and licenses	1.7	2.2	1.6	-26%	41%
Others	1.1	1.1	1.2	-4%	-7%
TOTAL	**102.0**	**112.7**	**121.7**	**-9%**	**-7%**

- Salaries and wages dropped by ₱15.6M or 64% which is the subsequent effect of the Company's rightsizing strategy last year.
- Spare parts and supplies slightly increased by ₱1.6M or 17% due to the increase of raw materials used in refining.
- Depreciation grew by ₱2.0M or 95% as a result of last year's increased investment in capital expenditures which provide long term benefits.
- Freight and handling plunged by ₱2.0M or 95% due to effective and synchronized handling of refined sugar and decrease in volume of sugar cane hauled.

Cost of Industrial Services

Cost of industrial services grew by ₱5.9M or 48% from last year's ₱12.2M to ₱18.1M. The table below summarizes the breakdown of operating expenses.

COST OF INDUSTRIAL SERVICES *In Million Pesos*	**2016**	**2015**	**Growth % 2016 vs 2015**
Salaries, wages bonuses and other benefits	1.8	1.4	27%
Repairs & Maintenance	4.2	2.8	52%
Spare parts and supplies	.8	.5	63%
Depreciation and amortization	2.3	1.8	24%
Security and outside services	2.8	1.9	49%
Retirement	.1	.1	17%
Power and steam	4.8	3.4	41%
Taxes and licenses	.3	.2	62%
Others	1.0	.1	800%
TOTAL	**18.1**	**12.2**	**48%**

- Repairs and maintenance grew by ₱1.4M or 52% due to the rehabilitation of water pumps in preparation of the intensified water generation efforts.
- ₱0.9M or 49% rise in security and outside services is brought about by the increase in security rates and added security postings.
- Power and steam grew by ₱1.4M or 41% due to higher electricity consumed by the Subsidiary's water generation services.

Operating Expenses

Operating expenses diminished by ₱20.0M or 15% from last year's ₱129.2M to ₱109.2M. The table below summarizes the breakdown of operating expenses:

OPERATING EXPENSES *In Million Pesos*	**2016**	**2015**	**2014**	**Growth %**	
				2016 vs 2015	**2015 vs 2014**
Salaries, wages bonuses and other benefits	35.3	37.1	41.6	-5%	-11%
Repairs & Maintenance	6.8	2.4	8.5	184%	-72%
Management fees nd bonuses	.3	2.0	18.5	-86%	-89%
Taxes and licenses	13.7	21.0	3.2	-35%	567%
Depreciation and amortization	2.9	2.6	2.9	12%	-12%
Transportation and travel	6.3	13.9	25.7	-55%	-46%
Security and outside services	1.0	11.6	14.4	-91%	-20%
Rentals	3.2	5.4	8.5	-41%	-37%
Light and water	.9	1.6	3.2	-45%	-49%
Retirement	-.9	3.1	2.2	-129%	45%
Entertainment, amusement and recreation	1.9	2.7	5.0	-29%	-46%
Professional fees	22.5	18.7	17.9	20%	5%
Dues and advertisements	1.0	1.1	.7	-1%	53%
Postage, telephone and telegram	.6	1.0	1.4	-35%	-30%
Bank Charges	1.4	.7	.3	89%	140%
Provision for doubtful accounts	2.6	.9	.0	177%	0%
Provision for losses	6.4	.0	.0	0%	0%
Others	3.3	3.5	3.2	-4%	7%
TOTAL	**109.2**	**129.2**	**157.1**	**-15%**	**-18%**

- Various outside-plant offices were renovated thus resulting to ₱4.4M or 184% growth in repairs and maintenance.
- Management fees diminished significantly by ₱1.7M or 86% after the termination of contracted services.
- Last year's taxes and licenses include one-time acquisition related transactions, thus decreasing this year by ₱7.3M or 35%.
- Security and outside services dropped significantly by ₱10.6M or 91% due to the rationalization of security requirements in the Company's facilities.

Balance Sheet Accounts

The table below presents the Balance Sheet Statements of the Company as of fiscal years dated 31 June 2016, 2015 and 2014.

(In Million Pesos)	FY 2016		FY 2015		FY 2014		GROWTH	
	AMT	%	AMT	%	AMT	%	AMT	%
ASSETS								
Current Assets								
Cash and cash equivalents	93.95	2%	252.84	4%	145.72	5%	-158.89	-63%
Receivables	659.43	11%	777.89	14%	169.09	6%	-118.46	-15%
Inventories	154.76	2%	142.37	2%	129.73	4%	12.39	9%
Real estate held for sale and development	987.96	16%	987.24	17%	.00	0%	.72	0%
Non-current asset held for sale	.00	0%	95.50	2%	.00	0%	-95.50	0%
Other current assets	117.00	2%	61.20	1%	16.81	1%	55.80	91%
Total Current Assets	**2,013.10**	**32%**	**2,317.04**	**41%**	**461.35**	**15%**	**-303.94**	**-13%**
Non-current Assets								
AFS financial assets	104.07	2%	103.52	2%	86.54	3%	.55	1%
Property, plant and equipment								
Land- at revalued amount	716.60	12%	685.70	12%	1,976.00	65%	30.90	5%
Property and equipment- at cost	429.14	7%	374.10	7%	315.86	10%	55.04	15%
Investment property	1,357.40	22%	1,357.40	24%	.00	0%	.00	0%
Retirement asset	706.47	11%	154.07	3%	189.81	6%	552.40	359%
Goodwill	702.15	11%	702.15	12%	.00	0%	.00	0%
Other current assets	199.00	3%	19.82	0%	8.95	0%	179.19	904%
Total Non Current Assets	**4,214.83**	**68%**	**3,396.75**	**59%**	**2,577.16**	**85%**	**818.08**	**24%**
TOTAL ASSETS	**6,227.93**	**100%**	**5,713.79**	**100%**	**3,038.51**	**100%**	**514.15**	**9%**
LIABILITIES AND EQUITY								
Current Liabilities								
Trade and other liabilities	413.01	7%	816.78	14%	321.37	11%	-403.77	-49%
Current portion of notes payable	393.13	6%	185.34	3%	327.68	11%	207.78	112%
Deposits	6.60	0%	5.79	0%	.00	0%	.80	0%
Income tax payable	10.46	0%	31.46	1%	1.70	0%	-21.00	-67%
Total Current Liabilities	**823.19**	**13%**	**1,039.38**	**18%**	**650.74**	**21%**	**-216.18**	**-21%**
Non-current liabilites								
Notes payable- net of current portion	2,042.51	33%	2,057.20	36%	88.67	3%	-14.69	-1%
Retirement liability	.00	0%	.00	0%	619.20	20%	.00	#DIV/0!
Deferred tax liability	480.77	8%	373.50	7%	.00	0%	107.27	0%
Other noncurrent liabilities	.00	0%	.00	0%	35.37	1%	.00	#DIV/0!
Total Non Current Liabilities	**2,523.27**	**41%**	**2,430.70**	**43%**	**743.24**	**24%**	**92.57**	**4%**
Equity								
Capital stock	282.55	5%	282.55	5%	282.55	9%	.00	0%
Retained earnings (deficit)	193.84	3%	17.19	0%	-191.90	-6%	176.65	1028%
Revaluation increment	1,836.61	29%	1,749.71	31%	1,365.16	45%	86.91	5%
Remeasurement gains on defined benefit liability	490.98	8%	76.94	1%	59.96	2%	414.04	538%
Unrealized cumulative gain on AFS financial	77.49	1%	117.33	2%	128.78	4%	-39.84	-34%
Less cost of 720 shares of stock in treasury	-.01	0%	-.01	0%	-.01	0%	.00	0%
Total Equity	**2,881.46**	**46%**	**2,243.71**	**39%**	**1,644.53**	**54%**	**637.76**	**28%**
TOTAL LIABILITIES AND EQUITY	**6,227.93**	**100%**	**5,713.79**	**100%**	**3,038.51**	**100%**	**514.15**	**9%**

Cash

The decrease in cash by ₱158.9M or 63% is due from net cash provided by operating activities of ₱362.1M, ₱590.0M net cash used in investing activities and ₱69.0M net cash provided by financing activities.

Receivables

The decrease in receivables by ₱118.5M or 15% from ₱777.9M to ₱659.4M is due to the collections received from various customers and other borrowers.

Inventories

The slight increase amounting to ₱12.4M or 9% of the reported ending inventory is due to the increase in the finished products of alcohol.

Non-current asset held for sale

The non-publicly listed shares of stock owned by the Subsidiary amounting to ₱95.5M were disposed.

Other current assets

The increase of ₱55.8M or 91% in other current assets is due to increased advances to suppliers for off-season maintenance requirements.

Property, Plant and Equipment

The Company reported a growth of ₱55.0M or 15% due to the increase in capital expenditures in line with the Company's expansion projects.

Retirement asset

The fair value of plan assets managed by the Parent Company's Retirement Fund grew by ₱552.4M or 359%, causing the retirement asset to increase from ₱154.1M to ₱706.5M.

Other non-current assets

Other non-current assets increased by ₱179.2M or 904% from ₱19.8M to ₱199.0M due to advances for land maintenance, which includes land preparation, cultivation and planting in conjunction with the Company's massive long term plan to increase the tons cane.

Trade and other payable

Trade and other payables significantly decreased by ₱403.8M or 49% from ₱816.8M to ₱413.0M due to strategic settlement of obligations.

Current portion of notes payable

Current portion of notes payable increased from ₱185.3M to ₱393.1M or ₱207.8M primarily due to availments of short-term loan from a reputable local bank.

Long term notes payable

Long term notes payable slightly decreased by ₱14.7M or 1% due to the scheduled payment of amortized principal obligation. The long term note payable was availed 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 increase in Stockholders' Equity of ₱637.8M or 28% is brought about by the reported consolidated net income of ₱176.7M, revaluation increment of ₱86.9M and remeasurements gains on defined benefit liability of ₱414.0M.

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 2016	FY 2015
Current ratio	2.45	2.23
Asset-to-equity ratio	2.16	2.55
Debt-to-equity ratio	1.13	1.46
Debt Service Coverage Ratio	0.88	1.38

FY 2015 Review of Operations

Revenues

Gross revenues reached a total of ₱1,203.9M, higher by 4% or ₱35.2M from the previous ₱988.7M. This year's total revenues were attained despite the 13% drop in sugar cane supply. With the exception of the tolling rates at the Refinery and the Distillery that remained unchanged for the year, all the other products enjoyed higher market prices.

- Raw sugar sales dropped by ₱16.1M or 3% due to lower sugar cane supply resulting to decreased volume sold in spite of increase in market price.
- Tolling of refined sugar decreased by ₱11.5M or 5% due to lower available raw sugar for refining.
- Significant
- increase in revenues from alcohol was due to improved extraction. Coupled with the volume, improved alcohol prices boosted the revenues by ₱56.8M or 43%.
- The increased demand for molasses caused the reduction on tolling fees of alcohol by ₱24.6M or 87%.

Cost of Goods Sold

Cost of goods sold decreased by ₱34.3M or 7% this year from ₱511.8M to ₱477.5M.

- 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 in 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.

- 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.

- 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

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%.

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.

<u>Cost of Goods Sold</u>

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

- The decrease 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.

<u>Cost of Tolling</u>

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 ₱4.2M or 15% from P28.0M to P32.1M.

<u>Operating Expenses</u>

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

Balance Sheet Accounts

<u>Cash</u>

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.

<u>Receivables</u>

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 ₱1,220,000 for FY 2016 and ₱1,100,000 for FY 2015.

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.

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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 Nomination 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 51, 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, Restaurants Concepts 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 55, 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 56, 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 55, 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 4^{th} 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 55, 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 70, 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 64, 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 48, 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 71, 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 57, 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 54, 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, 2016 and June 30, 2015, 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 June 30, 2016, 2015 and 2014.

FY 2015-2016						
Name	**Position**	**Salary & Professional fees**	**Bonus**	**Transportation**	**Per Diem**	**Total**
July 1, 2015 - June 30, 2016						
Martin Ignacio P. Lorenzo	Chairman of the Board & CEO					
Fernando Ignacio C. Cojuangco	President & COO					
Marco P Lorenzo	Director	₱15,896,014	₱3,011,843	₱1,877,066	₱276,500	₱21,061,423
Wellerita D. Aguas	VP for Finance					
Marcelo P. Karaan II	VP for Human Resources					
All Other Officers & Directors as a group						
TOTAL		**₱15,896,014**	**₱3,011,843**	**₱1,877,066**	**₱276,500**	**₱21,061,423**

FY 2014-2015						
Name	**Position**	**Salary & Professional fees**	**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					
Wellerita D. Aguas	VP for Finance					
July 1, 2014 - October 15, 2015						
Jose Cojuangco Jr.	Chairman of the Board & President	₱14,481,734	₱2,333,336	₱3,953,058	₱835,000	₱21,603,128
Josephine Reyes	Treasurer & Director					
Ernesto Teopaco	Vice President & Director					
Wellerita Aguas	VP for Finance					
Eufrocinio dela Merced Jr.	Asst. VP					
All Other Officers & Directors as a group						
TOTAL		**₱14,481,734**	**₱2,333,336**	**₱3,953,058**	**₱835,000**	**₱21,603,128**

FY 2013-2014						
Name	**Position**	**Salary & Professional fees**	**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	₱8,095,449	₱2,023,862	₱6,882,432	₱260,000	₱17,261,743
Emmanuel Cochico	AVP & Asst. Treasurer					
Wellerita D. Aguas	AVP for Finance					
All Other Officers & Directors as a group						
TOTAL		**₱8,095,449**	**₱2,023,862**	**₱6,882,432**	**₱260,000**	**₱17,261,743**

The Directors Compensation consists 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.

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

<u>Security Ownership of Certain Record and Beneficial Owners</u>

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 2016.

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	Luista 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 2016.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership		Citizenship	%
Common	Martin Ignacio P. Lorenzo	10,287,655	Indirect	Filipino	36.4%
		20	Indirect	Filipino	0.0%
Common	Fernando C. Cojuangco	9,884,219	Indirect	Filipino	35.0%
		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%
		1,000	Indirect	Filipino	0.0%
Total		**20,174,472**			**71.4%**

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.

The Company's Annual Corporate Governance Report is hereto as Exhibit "B".

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CENTRAL AZUCARERA DE TARLAC

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of **CENTRAL AZUCARERA DE TARLAC** is responsible for all information and representations contained in the consolidated financial statements as of and for the years ended June 30, 2016 and 2015. The financial statements have been prepared in conformity with Philippine Financial Reporting Standards and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized.

The Board of Directors reviews the consolidated financial statements before such statements are approved and submitted to the stockholders of the company.

SyCip Gorres Velayo & Co., the independent auditors and appointed by the stockholders, has examined the financial statements of the company in accordance with Philippine Standards on Auditing and has expressed its opinion on the fairness of presentation upon completion of such examination, in its report to stockholders.

Signed and under oath by the following:

MARTIN IGNACIO P. LORENZO
Chairman of the Board & CEO

FERNANDO IGNACIO C. COJUANGO
President and COO

WELLERITA D. AGUAS
VP-Finance

SEP 14 2016

SUBSCRIBED AND SWORN to before me this day of _____________ 2016 affiant(s) exhibiting to me their PASSPORT ID's as follows:

NAME	ID No	EXPIRING ON
Martin Ignacio P. Lorenzo	EC 6023262	Dec. 1, 2020
Fernando C. Cojuangco	EB 5820479	July 2, 2017
Wellerita D. Aguas	EC 7357953	Apr. 9, 2021

MARIA KEALA MAE M. BLEZA
NOTARY PUBLIC
Appointment No. M-261 / Until Dec. 31, 2016
4/F J. Cojuangco Bldg. 119 Dela Rosa cor. Palanca Sts., Mak
PTR No. 5330768 / 01.08.16 / Makati City
IBP No. 1023450 / 01.08.16 / Calmana
Roll No. 62940

Doc. No. 308
Page No. 63
Book No. I
Series of 2016

BUREAU OF INTERNAL REVENUE
RECEIVED
OCT 13 2016

3rd Floor First Lucky Place
2259 Pasong Tamo Extension, Makati City Philippines 1231
Trunkline: (632) 894-5980; (632) 818-6270; Telefax: (632) 818-8867

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

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
N/A	818-6270	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
393	01/26	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	N/A

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 the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

BUREAU OF INTERNAL REVENUE
RECEIVED
OCT 13 2016

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, 2016 and 2015, 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, 2016, 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, 2016 and 2015, and its financial performance and its cash flows for each of the three years in the period ended June 30, 2016, in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Jose Pepito E. Zabat

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. 5321714, January 4, 2016, Makati City

August 23, 2016

BUREAU OF INTERNAL REVENUE
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OCT 19 2016
LARGE TAXPAYERS ASSISTANCE DIVISION

CENTRAL AZUCARERA DE TARLAC AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

	June 30	
	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents (Note 7)	**₱93,948,771**	₱252,839,700
Receivables (Note 8)	**659,429,276**	777,891,888
Inventories (Note 9)	**154,755,136**	142,368,808
Real estate held for sale and development (Note 10)	**987,962,514**	987,238,512
Other current assets (Note 12)	**117,003,714**	61,200,350
	2,013,099,411	2,221,539,258
Assets classified as held for sale (Note 11)	**–**	95,500,000
	2,013,099,411	2,317,039,258
Noncurrent Assets		
Available-for-sale financial assets (Note 14)	**104,066,900**	103,517,560
Property, plant and equipment:		
Land - at revalued amount (Note 15)	**716,600,000**	685,700,000
Property and equipment - at cost (Note 15)	**429,143,238**	374,098,540
Investment property (Note 16)	**1,357,400,000**	1,357,400,000
Retirement asset - net (Note 25)	**706,471,536**	154,067,475
Goodwill (Note 13)	**702,146,249**	702,146,249
Other noncurrent assets (Note 17)	**199,004,448**	19,817,580
	4,214,832,371	3,396,747,404
TOTAL ASSETS	**₱6,227,931,782**	₱5,713,786,662
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 18)	**₱413,850,059**	₱816,780,683
Current portion of notes payable (Note 20)	**392,284,295**	185,344,935
Deposits (Note 19)	**6,596,212**	5,793,053
Income tax payable	**10,463,312**	31,459,539
	823,193,878	1,039,378,210
Noncurrent Liabilities		
Notes payable - net of current portion (Note 20)	**2,042,507,595**	2,057,202,066
Deferred tax liability - net (Note 27)	**480,765,975**	308,221,098
	2,523,273,570	2,365,423,164
Equity		
Capital stock (Note 29)	**282,545,960**	282,545,960
Retained earnings	**193,840,135**	17,190,004
Revaluation increment (Note 15)	**1,836,613,293**	1,814,983,293
Remeasurement gains on defined benefit liability - net (Note 25)	**490,982,816**	117,333,241
Unrealized cumulative gain on available-for-sale financial assets (Note 14)	**77,489,330**	76,939,990
	2,881,471,534	2,308,992,488
Less cost of 720 shares of stock in treasury (Note 29)	**(7,200)**	(7,200)
	2,881,464,334	2,308,985,288
TOTAL LIABILITIES AND EQUITY	**₱6,227,931,782**	₱5,713,786,662

See accompanying Notes to Consolidated Financial Statements.

CENTRAL AZUCARERA DE TARLAC AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended June 30		
	2016	2015	2014
REVENUES			
Sale of sugar and by-products	**₱955,769,538**	₱761,534,665	₱721,170,547
Tolling fees	**224,035,212**	231,394,319	267,513,085
Industrial services	**33,279,618**	25,565,781	–
Real estate sale	**954,000**	5,408,040	–
	1,214,038,368	1,023,902,805	988,683,632
COST OF GOODS SOLD AND SERVICES			
Cost of goods sold (Note 21)	**626,375,661**	477,478,489	511,808,351
Cost of tolling services (Note 22)	**102,029,869**	112,695,745	121,670,759
Cost of industrial services (Note 23)	**18,066,725**	12,166,485	–
Cost of real estate sale	**84,367**	97,001	–
	746,556,622	602,437,720	633,479,110
GROSS INCOME	**467,481,746**	421,465,085	355,204,522
OPERATING EXPENSES (Note 24)	**(109,194,977)**	(129,219,884)	(157,100,285)
OTHER INCOME (EXPENSES)			
Interest expense (Note 20)	**(123,688,110)**	(95,181,025)	(48,598,105)
Interest income (Notes 7 and 8)	**1,225,821**	4,232,088	2,891,132
Gain on sale of shares (Note 11)	**25,622,574**	–	–
Others - net	**7,065,350**	19,134,242	15,113,798
	(89,774,365)	(71,814,695)	(30,593,175)
INCOME BEFORE INCOME TAX	**268,512,404**	220,430,506	167,511,062
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 27)			
Current	**89,131,599**	79,470,457	37,825,593
Deferred	**2,730,674**	(3,250,410)	8,438,952
	91,862,273	76,220,047	46,264,545
NET INCOME	**₱176,650,131**	₱144,210,459	₱121,246,517
Basic/diluted earnings per share (Note 29)	**₱6.25**	₱5.10	₱4.29

See accompanying Notes to Consolidated Financial Statements.

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CENTRAL AZUCARERA DE TARLAC AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended June 30		
	2016	2015	2014
NET INCOME	**₱176,650,131**	₱144,210,459	₱121,246,517
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to profit or loss:			
Unrealized gain on available-for-sale financial assets (Note 14)	**549,340**	16,980,873	163,248
Items that will not be reclassified to profit or loss - net of income tax effect :			
Remeasurement gains (losses) on defined benefit liability (Note 25)	**373,649,575**	(11,447,274)	187,654,181
Revaluation increment in land (Note 15)	**21,630,000**	495,244,614	153,300,000
	395,279,575	483,797,340	340,954,181
OTHER COMPREHENSIVE INCOME	**395,828,915**	500,778,213	341,117,429
TOTAL COMPREHENSIVE INCOME	**₱572,479,046**	₱644,988,672	₱462,363,946

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, 2016, 2015 AND 2014

	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, 2015	**₱282,545,960**	**₱17,190,004**	**₱1,814,983,293**	**₱117,333,241**	**₱76,939,990**	**(₱7,200)**	**₱2,308,985,288**
Total comprehensive income for the year	–	**176,650,131**	**21,630,000**	**373,649,575**	**549,340**	–	**572,479,046**
At June 30, 2016	**₱282,545,960**	**₱193,840,135**	**₱1,836,613,293**	**₱490,982,816**	**₱77,489,330**	**(₱7,200)**	**₱2,881,464,334**
At June 30, 2014	₱282,545,960	(₱191,904,343)	₱1,365,157,402	₱128,780,515	₱59,959,117	(₱7,200)	₱1,644,531,451
Total comprehensive income for the year	–	144,210,459	495,244,614	(11,447,274)	16,980,873	–	644,988,672
Sale of land at revalued amount	–	64,883,888	(45,418,723)	–	–	–	19,465,165
At June 30, 2015	₱282,545,960	₱17,190,004	₱1,814,983,293	₱117,333,241	₱76,939,990	(₱7,200)	₱2,308,985,288
At June 30, 2013	₱282,545,960	(₱313,150,860)	₱1,211,857,402	(₱58,873,666)	₱59,795,869	(₱7,200)	₱1,182,167,505
Total comprehensive income for the year	–	121,246,517	153,300,000	187,654,181	163,248	–	462,363,946
At June 30, 2014	₱282,545,960	(₱191,904,343)	₱1,365,157,402	₱128,780,515	₱59,959,117	(₱7,200)	₱1,644,531,451

See accompanying Notes to Consolidated Financial Statements.

CENTRAL AZUCARERA DE TARLAC AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended June 30		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱268,512,404**	₱220,430,506	₱167,511,062
Adjustments for:			
Interest expense (Notes 20, 26 and 28)	**123,688,110**	95,181,025	48,598,105
Depreciation and amortization (Notes 21, 22, 23 and 24)	**55,616,011**	55,068,140	52,116,155
Sale of LIC shares	**(25,622,574)**	–	–
Movement in retirement asset	**(18,380,598)**	17,977,514	(15,611,928)
Provision for losses	**6,384,758**	–	–
Reversal of inventory obsolescence	**(2,426,801)**	–	–
Loss of cancellation of contracts	**4,629,890**	–	–
Provision for doubtful accounts	**1,481,986**	919,498	–
Interest income (Notes 7 and 8)	**(1,225,821)**	(4,232,088)	(2,891,132)
Provision for retirement	**170,315**	–	–
Write-off of property and equipment	**–**	80,171	–
Operating income before working capital changes	**412,827,680**	385,424,766	249,722,262
Decrease (increase) in:			
Receivables	**101,939,698**	90,004,372	(33,736,374)
Inventories	**(9,959,527)**	(12,635,930)	(18,961,974)
Other current assets	**(71,722,867)**	(25,971,027)	36,981,419
Increase (decrease) in:			
Trade and other payables	**27,273,606**	(49,169,305)	(109,743,518)
Deposits	**803,159**	(1,978,079)	–
Net cash generated from operations	**461,161,749**	385,674,797	124,261,815
Income tax paid - net of creditable withholding tax (CWT)	**(99,087,531)**	(49,710,391)	(36,126,120)
Net cash provided by operating activities	**362,074,218**	335,964,406	88,135,695
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipt from (payment to) related parties	**(300,924,440)**	(612,040,432)	64,184,433
Decrease (increase) in other noncurrent assets	**(179,186,868)**	705,854	(42,128)
Additions to property, plant and equipment	**(110,745,075)**	(95,959,464)	(61,336,366)
Interest received	**845,286**	3,943,432	2,891,132
Acquisition of a subsidiary - net of cash acquired	**–**	(1,227,403,993)	–
Net cash provided by (used in) investing activities	**(590,011,097)**	(1,930,754,603)	5,697,071
CASH FLOWS FROM FINANCING ACTIVITIES			
Availment of notes payable	**250,000,000**	2,326,964,585	727,010,144
Payments of:			
Notes payable	**(62,918,234)**	(506,343,477)	(710,500,000)
Other non-current liabilities	**–**	(35,368,649)	–
Interest	**(118,035,816)**	(83,340,551)	(46,028,044)
Net cash provided by (used in) financing activities	**69,045,950**	1,701,911,908	(29,517,900)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(158,890,929)**	107,121,711	64,314,866
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**252,839,700**	145,717,989	81,403,123
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**₱93,948,771**	₱252,839,700	₱145,717,989

See accompanying Notes to Consolidated Financial Statements.

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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.

The Parent Company is 73.10% owned by CAT Resource & Asset Holdings, Inc. (CRAHI).

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 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 69.98% 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. In 2014, CRAHI disposed of 450,000 shares of the Parent Company which reduced its shareholdings to 73.10%.

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 August 23, 2016.

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 Group'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 periods.

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, Philippine Accounting Standards 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:

Changes in Accounting Policies and Disclosures
The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2015. The adoption of these amendments did not have any significant impact on the financial statements.

- Amendments to PAS 19, *Defined benefit Plans: Employee Contributions*
- Annual Improvements to PFRSs 2010 - 2012 Cycle
  - PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  - PFRS 3, Business Combinations - *Accounting for Contingent Considerations in a Business Combination*
  - PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  - PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*
  - PAS 24, *Related Party Disclosures - Key Management Personnel*

- Annual Improvements to PFRSs 2011 - 2013 Cycle
    - PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
    - PFRS 13, *Fair Value Measurement - Portfolio Exception*
    - PAS 40, *Investment Property*

Future Changes in Accounting Policies
The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are listed below. The Group intends to adopt these standards when they become effective. Adoption of these standards and interpretations are not expected to have any significant impact on the financial statements of the Group.

No definite adoption date prescribed by the SEC and Financial Reporting Standards Council (FRSC)
- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*

Effective January 1, 2016
- PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and joint Ventures - Investment entities: Applying the Consolidation Exception (Amendments)*
- PAS 27, *Separate Financial Statement - Equity Method in Separate Financial Statements (Amendments)*
- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests (Amendments)*
- PAS 1, *Presentation of Financial Statements - Disclosure Initiative (Amendments)*
- PAS 14, *Regulatory Deferral Accounts*
- PAS 16, *Property, Plant and Equipment, and PAS 41, Agriculture - Bearer Plants*
- PAS 16, *Property, Plant and Equipment, and PAS 38, Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments*
- Annual Improvements to PFRSs (2012 - 2014 cycle)
    - PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
    - PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
    - PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
    - PAS 19, *Employee benefits - Regional market issue regarding discount rate*
    - PAS 34, *Interim Financial Reporting - Disclosure information elsewhere in the interim financial report*

Effective January 1, 2018
- *PFRS 9, Financial Instruments*
  In addition, to International Accounting Standards Board has issued the following new standards that have not yet been adopted locally by the SEC and FRSC. The Parent Company is currently assessing the impact of these new standards and plants to adopt them on their required effective dates once adopted locally.
- International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers* (effective January 1, 2018)
- IFRS 16, *Leases* (effective January 1, 2019)

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, 2016 and 2015.

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.

<u>Derecognition of Financial Assets</u>
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 arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the 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, 2016 and 2015, 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, and reversals of impairment losses for any recognized as a gain, but not 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 Tax. Deferred 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 tax liabilities are recognized for all taxable temporary differences, except:

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

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

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

Deferred 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 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 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.

Retirement Cost
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. Employees 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 (other than non-transferable financial instruments issued by the reporting entity). 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.

Termination Benefits
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 Per Share (EPS)
Earnings per share is computed by dividing the net income 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 per share is calculated by dividing the net income attributable to equity holders of the Group for the year by the weighted average number of common shares outstanding during the year.

Diluted earnings 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 to 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, 2016 amounted to ₱988.0 million, ₱1,357.4 million, and ₱716.6 million, respectively. 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 (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 previous 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 2016, 2015 and 2014 amounted to ₱1.5 million, ₱0.9 million, and nil respectively. The carrying amounts of receivables as at June 30, 2016 and June 30, 2015 amounted to ₱659.4 million and ₱777.9 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 2016, 2015 and 2014. Reversal of inventory obsolescence amounted to ₱2.4 million and nil in 2016 and 2015, respectively. The carrying amounts of inventories as at June 30, 2016 and June 30, 2015 amounted to ₱154.8 million and ₱142.4 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 2016, 2015 and 2014. The carrying amounts of AFS financial assets as at June 30, 2016 and June 30, 2015 amounted to ₱104.1 million and ₱103.5 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 real estate inventory value in 2016 and 2015. The carrying amounts of real estate inventories as of June 30, 2016 and 2015 amounted to ₱988.0 million and ₱987.2 million, 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, 2016 and 2015 amounted to ₱716.6 million and ₱685.7 million, respectively (see Note 15). The fair value of land under investment property amounted to ₱1,357.4 million in June 30, 2016 and 2015 (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 2016 and 2015. The carrying values of property, plant and equipment carried at cost as at June 30, 2016 and 2015 amounted to ₱429.1 million and ₱374.1 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.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount to which goodwill has been allocated, an impairment loss is recognized.

Assessments require the use of estimates and assumptions such as operating performance and discount rates. The value in use calculation is based on a discounted cash flow (DCF) model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognized by the Group.

There were no provision for impairment losses recognized in 2016, 2015 and 2014. The fair values of land under property plant and equipment as at June 30, 2016 and 2015 amounted to ₱716.6 million and ₱685.7 million, respectively (see Note 15). The carrying amounts of property, plant and equipment carried at cost as at June 30, 2016 and 2015 amounted to ₱429.1 million and ₱374.1 million, respectively (see Note 15). The carrying amounts of other noncurrent assets as at June 30, 2016 and 2015 amounted to ₱199.0 million and ₱19.8 million, respectively (see Note 17). Goodwill recognized as of June 30, 2016 and 2015 amounted to ₱702.1 million (see Note 13).

Deferred Tax Assets. The Group reviews the carrying amount of deferred tax assets at each balance sheet date and reduces its amount to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred 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 tax asset to be recovered.

The Parent Company's deferred tax assets arising from temporary differences as at June 30, 2016 and 2015 amounted to ₱31.6 million and ₱34.4 million, respectively (see Note 27). Unrecognized deferred taxes arising from temporary differences of the Subsidiary amounted to ₱114.7 million and ₱145.9 million as at June 30, 2016 and 2015, 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 income recognized in 2016 amounted to ₱5.4 million. Retirement expenses recognized in 2015 and 2014 amounted to ₱18.3 million and ₱11.7 million, respectively (see Note 25). The carrying amounts of the Group's net retirement asset as at June 30, 2016 and 2015 amounted to ₱706.5 million and ₱154.1 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.

	June 30, 2016			
	Sugar and by products	**Real estate**	**Eliminations**	**Total**
Revenues	**₱1,179,804,750**	**₱34,233,618**	**₱–**	**₱1,214,038,368**
Cost of goods sold and services	**728,405,530**	**18,151,092**	**–**	**746,556,622**
Gross income	**451,399,220**	**16,082,526**	**–**	**467,481,746**
Operating expenses	**(98,690,353)**	**(10,504,624)**	**–**	**(109,194,977)**
Other income (expenses)				
Interest expense	**(121,613,901)**	**(58,526,399)**	**56,452,190**	**(123,688,110)**
Interest income	**57,375,021**	**302,990**	**(56,452,190)**	**1,225,821**
Gain on sale of shares	**–**	**25,622,574**	**–**	**25,622,574**
Other income - net	**16,935,869**	**(9,870,519)**	**–**	**7,065,350**
Segment income before income tax	**₱305,405,856**	**(₱36,893,452)**	**₱–**	**₱268,512,404**
Segment assets	**₱6,158,890,651**	**₱844,684,822**	**(₱775,643,691)**	**₱6,227,931,782**
Segment liabilities	**₱3,220,693,691**	**₱1,653,331,093**	**(₱1,527,557,336)**	**₱3,346,467,448**

	June 30, 2015			
	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:

	2016	2015
Cash on hand	**₱792,107**	₱464,431
Cash in banks	**88,004,131**	152,278,156
Cash equivalents	**5,152,533**	100,097,113
	₱93,948,771	₱252,839,700

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

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

Interest income earned from cash in banks and cash equivalents amounted to ₱0.6 million in 2016, ₱1.1 million in 2015 and ₱0.3 million in 2014.

8. **Receivables**

This account consists of:

	2016	2015
Trade		
Non-affiliates	**₱153,871,675**	₱25,935,625
Nontrade:		
Due from related parties (Note 26)	**413,735,928**	543,737,104
Planters' receivables	**5,074,105**	14,194,505
Advances to directors, officers and employees (Note 26)	**11,020,750**	3,280,904
Advances to Tarlac Development Corporation (TDC)	**30,300,639**	161,261,502
Advances to JCSI	**14,600,758**	14,600,758
Advances to CAT Realty Corporation (CRC)	**15,422,542**	15,422,542
Advances to Luisita Golf and Country Club, Inc. (LGCCI)	**12,906,959**	2,451,600
Others	**11,450,411**	4,643,889
	668,383,767	785,528,429
Less allowance for doubtful accounts	**8,954,491**	7,636,541
	₱659,429,276	₱777,891,888

Trade receivables from non-affiliates are noninterest-bearing and are generally on 30- to 60-day credit term

Planters' receivables are subject to interest at 12% to 18% per annum in 2016 and 12% per annum in 2015. Interest income earned from planters' receivables amounted to ₱0.4 million in 2016, ₱3.1 million in 2015 and ₱2.4 million in 2014.

The terms and condition of due from related parties and advances to directors, officers and employees are discussed in Note 26.

Receivables from officers and employees arise from cash advances to the Group's personnel. Receivables from contractors are advanced payments for services to be provided or goods to be delivered to the Group. These receivables are generally collected within one year.

Advances to TDC, JCSI, CRC and LGCCI pertain to advances made by the Group to its previous affiliates which are unsecured and non-interest bearing.

As discussed in Note 11, the Group sold all of its outstanding LIC shares to TDC for a consideration of ₱121.1 million. After the sale, total advances to TDC amounted to ₱282.4 million. On the same period, as part of the MOA entered into between CRAHI and the Cojuangco family, the Group and TDC executed an agreement for the assignment of ₱252.6 million advances to TDC to Hacienda Luisita, Inc. (HLI). Advances to TDC amounted to ₱30.3 million as at June 30, 2016.

Others consist of receivables with various insignificant amounts.

Movements in the allowance for doubtful accounts as at June 30, 2016 and 2015 are summarized below:

	2016		
	Trade	**Nontrade**	**Total**
Balance at beginning of year	**₱3,908,206**	**₱3,728,335**	**₱7,636,541**
Provision during the year	**444,883**	**1,037,103**	**1,481,986**
Write off during the year	**(164,036)**	**–**	**(164,036)**
Balance at end of year	**₱4,189,053**	**₱4,765,438**	**₱8,954,491**

	2015		
	Trade	Nontrade	Total
Balance at beginning of year	₱2,665,024	₱5,156,723	₱7,821,747
Acquisition of subsidiary	8,439,142	–	8,439,142
Provision during the year	919,498	–	919,498
Reversals during the year	(8,115,458)	(1,428,388)	(9,543,846)
Balance at end of year	₱3,908,206	₱3,728,335	₱7,636,541

9. Inventories

This account consists of:

	2016	2015
At cost:		
Alcohol	**₱77,034,657**	₱84,170,625
Raw sugar	**2,167,421**	1,059,417
Molasses	**23,304,879**	2,980,606
At NRV:		
Spare parts and supplies	**52,248,179**	54,158,160
	₱154,755,136	₱142,368,808

The following table is a rollforward analysis of the allowance for impairment losses recognized on spare parts and supplies:

	2016	2015
Beginning of the period	**₱7,197,207**	₱7,197,207
Reversals	**(2,426,801)**	–
End of period	**₱4,770,406**	₱7,197,207

10. Real Estate Held for Sale and Development

This account consists of:

	2016	2015
Land held for development	**₱981,080,536**	₱981,080,536
Land available for sale	**6,881,978**	6,157,976
	₱987,962,514	₱987,238,512

Land held for development is a parcel of land which is still undeveloped.

Land available for sale includes parcels of land developed into a first class residential subdivision and an industrial community. During the year, the Company repossessed land available for sale from cancelled contracts on long outstanding defaulted buyers amounting to ₱0.7 million.

11. Assets Classified as Held for Sale

Assets classified as held for sale pertains to the Subsidiary's 35.25% ownership interest or 955,500 common shares of stock with par value of ₱100 per share of LIC. On the date when the Subsidiary was acquired, this investment is classified as held for sale and accounted for in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*. As part of the MOA entered into between CRAHI and the Cojuangco family, the LIC shares will be sold to the latter or its designated assignee.

During the year, the Group sold all its outstanding LIC shares to TDC as part of the MOA for a total consideration of ₱121.1 million. Gain from sale of shares amounting to ₱25.6 million is presented under "Other income" in the Consolidated Statements of Income.

12. Other Current Assets

This account includes:

	2016	2015
Advances to suppliers	**₱92,200,438**	₱32,401,384
CWT	**17,746,023**	17,588,446
Prepaid tax	**2,857,181**	2,726,849
Prepaid insurance	**2,122,691**	1,809,370
Input tax	**127,522**	89,911
Prepaid rent	**–**	4,943,000
Others	**1,949,859**	1,641,390
	₱117,003,714	₱61,200,350

Advances to suppliers include payments made to suppliers for goods to be received in the future.

CWTs are tax withheld by the withholding agents from payments to the Group which can be applied against the income tax payable without prescription.

Prepaid tax, prepaid insurance and prepaid rent will be charged to expense in the next financial year.

Input tax represents VAT paid to suppliers that can be claimed as credit against the Group's future output VAT liabilities without prescription.

Others include individual insignificant amounts.

13. **Business Combination**

On October 15, 2014, the Parent Company acquired 100% of the total outstanding shares of LLC for ₱135.0 million. The MOA includes the Parent Company assuming LLC's liabilities to the seller group amounting to ₱1,115.2 million resulting in total consideration of ₱1,250.3 million.

The Parent Company acquired LLC for its real estate processes and to complement its land holdings.

The fair values of the identifiable assets and liabilities of LLC as at the date of acquisition were:

	Fair value recognized on acquisition
Assets:	
Cash	₱22,856,283
Receivables	23,964,604
Real estate held for sale and development	987,238,512
Assets classified as held for sale	95,500,000
Property and equipment	17,430,303
Other current assets	18,416,467
Other noncurrent assets	11,568,481
	1,176,974,650
Liabilities:	
Trade and other payables	35,457,276
Advances from related parties	505,034,402
Customer's deposits	7,771,132
Retirement liability	1,411,786
Deferred tax liability	79,186,027
	628,860,623
Total identifiable net assets at fair value	₱548,114,027
Consideration transferred	₱1,250,260,276
Fair value of identifiable net assets	(548,114,027)
Goodwill	**₱702,146,249**

The accounting for this business combination was determined provisionally as the Parent Company is still finalizing the fair valuation of assets acquired including the real estate held for sale and development and goodwill. The business acquisition accounting was finalized during the year.

LLC's real estate held for sale and development is adjusted to its fair value at acquisition date. Deferred tax liability is recognized for the future taxable income attributable to the increase in the fair value of the real estate.

LLC contributed ₱34.2 million and ₱31.0 million of revenue in 2016 and 2015, respectively, and ₱36.9 million and ₱18.0 million losses to the consolidated income before income tax in 2016 and 2015 from the date of acquisition, respectively. If the combination had taken place at the beginning of 2015, consolidated revenue in 2015 would have been ₱1,033.3 million and the consolidated income before income tax would have been ₱201.9 million.

The Group performs its annual assessment for impairment of goodwill in June 2016 and 2015. The recoverable amount of the CGU was determined based on a value in use calculation using cash flow projections for the next five years. Based on its analysis, management concluded that the goodwill is recoverable. The calculation of the value in use for the CGU incorporates the following key assumptions: a) selling price of real estate inventory, b) costs to sell, c) sales absorption rate, and d) discount rate of 10%. The management believes that key assumptions used in determining the recoverable amount at reasonable possible changes would not cause the CGU's carrying amount to exceed its recoverable amount.

14. **Available-for-Sale Financial Assets**

The details of AFS financial assets are as follows:

	2016	2015
Proprietary shares	**₱103,280,000**	₱102,580,000
Investment in shares of stock:		
Listed	**624,900**	775,560
Unlisted	**162,000**	162,000
	₱104,066,900	₱103,517,560

The movements in this account are as follows:

	2016	2015
At beginning of year	**₱103,517,560**	₱86,536,687
Change in fair value of AFS investments	**549,340**	16,980,873
At end of year	**₱104,066,900**	₱103,517,560

The fair value of the listed shares of stocks and proprietary shares are determined with reference to published price quotations in an active market. Common stock not listed in the stock exchange have no other reliable sources of their fair market values, therefore, they are stated at cost. Management intends to dispose the AFS financial assets, both listed and unlisted and proprietary shares, when the need arises.

The Group's proprietary shares of stock with carrying value of ₱100.1 million as at June 30, 2016 and 2015 are used as collateral for the Group's loans (see Note 20).

There were no sale or purchase transactions on the Group's AFS financial assets in 2016 and 2015.

Movements in the unrealized gain on AFS financial assets included in the other comprehensive income are as follows:

	2016	2015
At beginning of year	**₱76,939,990**	₱59,959,117
Unrealized gain on AFS financial assets during the year	**549,340**	16,980,873
At end of year	**₱77,489,330**	₱76,939,990

15. **Property, Plant and Equipment**

Movements in this account are summarized below:

At Cost

	June 30, 2015	Additions	Disposals/ Write-offs/ Reclassifications	June 30, 2016
Cost:				
Machinery and equipment	₱1,357,493,193	₱47,212,191	₱9,657,367	**₱1,414,362,751**
Buildings and improvements	128,856,616	3,379,771	461,143	**132,697,530**
Furniture, fixtures and equipment	35,561,999	4,788,926	(126,000)	**40,224,925**
Land improvements	48,672,134	34,108,437	2,504,387	**85,284,958**
Transportation equipment	21,948,613	1,049,822	–	**22,998,435**
Communication and utility systems	7,155,624	401,859	–	**7,557,483**
Roads and bridges	12,350,552	–	–	**12,350,552**
Agricultural machinery and equipment	39,109,200	10,274,526	–	**49,383,726**
	1,651,147,931	101,215,532	12,496,897	**1,764,860,360**
Less accumulated depreciation and amortization:				
Machinery and equipment	1,096,377,631	44,071,221	–	**1,140,448,852**
Buildings and improvements	100,461,817	3,080,094	–	**103,541,911**
Furniture, fixtures and equipment	27,439,659	3,111,047	(126,000)	**30,424,706**
Land improvements	38,657,174	1,624,321	–	**40,281,495**
Transportation equipment	4,951,000	972,848	–	**5,923,848**
Communication and utility systems	6,726,962	189,762	–	**6,916,724**
Roads and bridges	12,350,536	–	–	**12,350,536**
Agricultural machinery and equipment	2,791,875	2,566,718	–	**5,358,593**
	1,289,756,654	55,616,011	(126,000)	**1,345,246,665**
Construction in-progress	12,707,263	9,529,543	(12,707,263)	**9,529,543**
	₱374,098,540			**₱429,143,238**

	June 30, 2014	Acquisition of subsidiary	Additions	Disposals/ Write-offs/ Reclassifications	June 30, 2015
Cost:					
Machinery and equipment	₱1,427,175,398	₱4,792,910	₱588,487	(₱75,063,602)	₱1,357,493,193
Buildings and improvements	90,452,618	42,894,396	–	(4,490,398)	128,856,616
Furniture, fixtures and equipment	72,942,100	249,036	1,764,481	(39,393,618)	35,561,999
Land improvements	47,482,891	835,959	–	353,284	48,672,134
Transportation equipment	26,624,000	72,321	7,405,979	(12,153,687)	21,948,613
Communication and utility systems	16,950,513	–	39,732	(9,834,621)	7,155,624
Roads and bridges	12,350,552	–	–	–	12,350,552
Agricultural machinery and equipment	2,684,709	–	2,890,939	33,533,552	39,109,200
	1,696,662,781	48,844,622	12,689,618	(107,049,090)	1,651,147,931
Less accumulated depreciation and amortization:					
Machinery and equipment	1,161,656,224	2,598,256	39,514,336	(107,391,185)	1,096,377,631
Buildings and improvements	71,489,149	28,764,084	7,629,404	(7,420,820)	100,461,817
Furniture, fixtures and equipment	64,904,719	51,532	4,015,434	(41,532,026)	27,439,659
Land improvements	38,657,174	–	–	–	38,657,174
Transportation equipment	25,059,542	447	555,564	(20,664,553)	4,951,000
Communication and utility systems	15,804,517	–	780,280	(9,857,835)	6,726,962

(Forward)

	June 30, 2014	Acquisition of subsidiary	Additions	Disposals/ Write-offs/ Reclassifications	June 30, 2015
Roads and bridges	₱12,303,234	₱–	₱47,302	₱–	₱12,350,536
Agricultural machinery and equipment	650,757	–	2,525,820	(384,702)	2,791,875
	1,390,525,316	31,414,319	55,068,140	(187,251,121)	1,289,756,654
Construction in-progress	9,719,619		83,269,846	(80,282,202)	12,707,263
	₱315,857,084				₱374,098,540

During 2015, the Group has written off fully depreciated properties not used in operation. Total cost of property, plant and equipment written off during the year amounted to ₱187.3 million.

Land at Revalued Amount

The fair value of land as at June 30, 2016 and 2015 amounted to ₱685.7 million. The fair value, categorized as Level 3, is based on valuations determined by an independent appraiser, accredited by the SEC, as of June 30, 2016 and 2015. The valuation models used by the appraiser are in accordance with that recommended by the International Valuation Standards Council. The current use of the land is its highest and best use.

The fair value of the land is determined using the market data (direct sales comparison) approach. Under this approach, a property's fair value is estimated based on comparing prices paid for comparable properties sold in the market against the subjected property. The weight given to this approach is dependent on the availability of recent confirmed sales of properties considered comparable to the property under appraisement. These sold properties are compared to the subject in key units of comparison. Appropriate adjustments are made for differences between the subject and the comparables, resulting in adjusted sales values for each of the comparable. These adjusted values are then reconciled for a value conclusion by the sales comparison approach.

On September 18, 2014, the Company sold parcels of land, with total land area of 164.0 square meters, to a related party (see Note 26) with a total consideration of ₱65.6 million. The carrying value of the land sold amounted to ₱65.6 million with related revaluation increment net of tax of ₱45.4 million.

Movements in this account are summarized below:

	2016	2015
At beginning of year	**₱685,700,000**	₱1,976,000,000
Reclassification to investment property (Note 16)	**–**	(1,357,400,000)
Sale of land	**–**	(65,599,600)
Revaluation increment during the year	**30,900,000**	132,699,600
At end of year	**₱716,600,000**	₱685,700,000

The new management, following its strategic direction to improve factory efficiency and productivity, has released the previously earmarked land for expansion. 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 as held for capital appreciation to make it available for future use that has yet to be determined. In 2015, The Parent Company reclassified land with a revalued amount of ₱1,357.4 million from *Property Plant and Equipment* to *Investment Property* due to the change in the use of the property as approved by the BOD.

The fair value of investment property amounted to ₱1,357.4 million as of June 30, 2015, which is the date of change in use. This will be the cost of investment property as of June 30, 2015.

Movements in the revaluation increment, net of tax, recognized directly in equity are as follows:

	2016	2015
At beginning of year	**₱1,814,983,293**	₱1,365,157,402
Revaluation increment during the year	**30,900,000**	54,190,275
Recycled from deferred tax liability	**–**	441,054,339
Sale of land	**–**	(45,418,723)
At end of year	**₱1,845,883,293**	₱1,814,983,293
Attributable to:		
Property, plant and equipment	**₱504,700,313**	₱473,800,313
Investment property	**1,341,182,980**	1,341,182,980

Deferred tax liability on revaluation increment as of June 30, 2016 and 2015 amounted to ₱212.3 million and ₱203.1 million (see Note 27). Due to change in management's use of the asset, from "owner-occupied" to "for capital appreciation", which resulted to a reclassification of land from *Property, Plant and Equipment* to *Investment Property,* revaluation increment in 2015 amounting to ₱441.1 million was recycled from deferred tax liability (see Note 16).

Real properties included under *Property, Plant and Equipment* and *Investment Property*, with aggregate carrying value of ₱2,074.0 million as at June 30, 2016 and ₱2,043.1 million as at June 30, 2015 are used as collateral to secure the Parent Company's notes payable (see Note 20).

16. **Investment Property**

As discussed in Note 15 to the financial statements, the new management, following its strategic direction to improve factory efficiency and productivity, has released the previously earmarked land for expansion. 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 Parent Company reclassified land with a revalued amount of ₱1,357.4 million from *Property Plant and Equipment* to *Investment Property* due to the change in the use of the property as approved by the BOD.

The fair value as of June 30, 2015, which is the date of change in use, amounted to ₱1,357.4 million. This is the cost of investment property as of June 30, 2015. There are no fair value changes on the land classified as *Investment Property* as at June 30, 2016.

The fair value, categorized as Level 3, is based on valuations determined by an independent appraiser, accredited by the SEC, as of June 30, 2015. The valuation models used by the appraiser are in accordance with that recommended by the International Valuation Standards Council. The current use of the land is its highest and best use.

The fair value of the land is determined using the market data (direct sales comparison) approach. Under this approach, a property's fair value is estimated based on comparing prices paid for comparable properties sold in the market against the subjected property. The weight given to this approach is dependent on the availability of recent confirmed sales of properties considered comparable to the property under appraisement. These sold properties are compared to the subject in key units of comparison. Appropriate adjustments are made for differences between the subject and the comparables, resulting in adjusted sales values for each of the comparables. These adjusted values are then reconciled for a value conclusion by the sales comparison approach.

17. Other Noncurrent Assets

This account consists of:

	2016	2015
Advances for land maintenance	**₱182,520,080**	₱–
Deferred charges	**11,681,880**	14,238,382
Recoverable deposits	**4,782,488**	4,827,458
Others	**20,000**	751,740
	₱199,004,448	₱19,817,580

Advances for land maintenance refers to advance costs for future land preparation, planting and harvesting to augment the cane supply in alignment with management's strategy.

Deferred charges are accumulated charges incurred for Las Haciendas de Luisitas (LHDL) such as security, repairs and maintenance, and power among others. Annual Dues collected from homeowners and collections from use of LHDL facilities is credited to this account.

Recoverable deposits are advances to contractors and suppliers for items incidental to their service such as electric meters for electricity provider.

18. Trade and Other Payables

This account consists of:

	2016	2015
Trade payables	**₱156,723,125**	₱186,501,088
Accruals:		
Freight and transportation	**42,289,454**	28,927,738
Repairs and maintenance	**39,983,578**	9,776,644
Spare parts, supplies and inventory cost	**31,100,718**	21,880,631
Interest and penalties	**26,115,020**	21,278,141
Taxes	**12,354,031**	9,634,081
Professional fees	**5,245,000**	3,450,000
Salaries, wages and other benefits	**1,660,271**	1,187,259
Others	**16,148,138**	18,379,840
Advances from J.C. Enterprises, Inc. (JCE)	**53,867,782**	53,867,782
Advances from related parties (Note 26)	**3,817,198**	196,399,085
Estimated liability for cash surrender value	**2,527,345**	–
Customers' advances	**2,692,726**	2,810,789
Advances from HLI (Note 8)	**–**	252,600,116
Other payables	**19,325,673**	10,087,489
	₱413,850,059	₱816,780,683

Trade payables are noninterest-bearing and are generally settled within a 30-day credit term. As at June 30, 2016, all trade payables are current and expected to be paid within one year period. As of the end of the fiscal year, the remaining portion of the restructured payable to utility providers amounting to ₱36.3 million as of June 30, 2015 has been settled. These payables bear interest at an annual rate of 7.2%.

Accruals are settled throughout the next financial year.

Terms and conditions of due to related parties are discussed in Note 26.

In previous years, the Subsidiary purchased certain properties of Hacienda Luisita, Inc. (HLI) to be used for future development. Prior to acquisition of Parent Company's majority shares, the Group availed of advances JCE which are non-interest bearing and with no collaterals.

Customers' advances represent payments received in advance by the Group for the delivery of denatured alcohol in the next fiscal year.

Other payables consist of various immaterial account balances.

19. **Deposits**

This account consists of:

	2016	2015
Customers' deposits	**₱3,983,597**	₱3,930,438
Construction deposits	**2,612,615**	1,862,615
	₱6,596,212	₱5,793,053

Customers' deposits consists of advances for water meter deposits from locators, tenants and homeowners and advances made by the lot owners in transferring the titles to them to be liquidated once the transaction has been made.

Construction deposits pertain to advances made by the contractor for the construction of facilities in LIP and houses in LHDL.

20. **Notes Payable**

This account consists of:

Long-term notes	2016	2015
Local bank	**₱2,079,000,000**	₱2,100,000,000
Less deferred financing cost	**21,797,934**	27,860,473
	2,057,202,066	2,072,139,527
Less current portion	**14,694,471**	14,937,461
	₱2,042,507,595	₱2,057,202,066

Short-term notes	2016	2015
Local banks	**₱350,000,000**	₱100,057,542
Promissory notes	**27,589,824**	70,349,932
	₱377,589,824	₱170,407,474

Long-term bank notes
On October 15, 2014, the Parent Company obtained a long-term interest-bearing loan from a local bank amounting to ₱2.1 billion. Net proceeds from the loan amounted to ₱2,068.0 million and transaction costs incurred amounted to ₱32.0 million which will be amortized throughout the term

of the loan using the effective interest rate method. The principal of the loan will be repaid in five equal annual installments amounting to ₱21.0 million starting July 15, 2015 until July 15, 2019 and the remaining balance to be paid on October 14, 2019. The loan is equally divided into two series amounting to ₱1,050.0 million each for the purposes of interest computation. Series A incurs and interest of 5.25% per annum or PDST-R1 on the interest selling date plus a spread of 137 basis points, whichever is higher. Series B incurs an interest of 4.0% per annum of the prevailing BSP Overnight Repurchase Rate on the interest selling date plus a spread of 25 basis points, whichever is higher. As of June 30, 2016, 2015 and 2014, the interest expense related to this loan amounted to ₱112.0 million and ₱79.5 million, respectively, including amortization of the transaction cost amounting to ₱6.1 million and ₱4.1 million, respectively.

Short-term bank notes
On May 18, 2015, the Parent Company obtained a short-term loan from a local bank to finance its day to day operations amounting to ₱100.0 million with a 4.25% interest rate per annum. The loan was renewed several times during the year with the most recent renewal date maturing on September 26, 2016.

On September 18, 2015, the Parent Company obtained another short-term loan from a local bank to finance its day to day operations amounting to ₱100.0 million with a 4.25% interest rate per annum. The loan will mature on September 13, 2016.

On October 28, 2015, the Parent Company obtained another short-term loan from a local bank to finance its day to day operations amounting to ₱50.0 million with a 4.25% interest rate per annum. The loan will mature on September 26, 2016.

On May 24, 2016, the Parent Company obtained another short-term loan from a local bank to finance its day to day operations amounting to ₱100.0 million with a 4.25% interest rate per annum. The loan will mature on September 19, 2016.

Short-term promissory notes
In previous years, the Subsidiary settled its liability to TDC through assumption of promissory notes amounting to ₱1,500.0 million. The Parent Company made advances to the Subsidiary to settle the maturing promissory notes on October 15, 2014. Settlement of notes amounted to ₱1,431.0 million. As of June 30, 2016 and 2015, outstanding balance amounted to ₱27.6 million and ₱70.3 million, respectively. The notes are for a period of one year with a fixed interest rate of 4%.

Total interest expense incurred for all short-term notes amounted to ₱11.7 million, ₱6.4 million and ₱22.2 million in 2016, 2015 and 2014, respectively.

Scheduled maturities of principal balances of the Parent Company's bank loans are as follows:

Fiscal year	Amount
2016	₱371,000,000
2017	21,000,000
2018	21,000,000
2019	2,016,000,000
	₱2,429,000,000

Notes facility agreements provide certain restrictions and requirements principally with respect to maintenance of required financial ratios and material changes in membership and control.

The Group's capital management policies ensure that the Group is able to meet financial covenants attached to interest-bearing loans and borrowings. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current period.

Notes payable to related parties
Notes payable to related parties are exempt commercial papers registered with the SEC with fixed interest rate ranging from 8% to 10%. These notes are generally for a period of 180 to 360 days.

On October 14, 2015, the Parent Company assigned the obligations on these notes to Luisita Trust Fund (LTF), a related party. Balance of ₱15.0 million as at June 30, 2014 has been fully paid as of June 30, 2015. Interest expense amounted to ₱0.3 million in 2015.

During 2015, First Lucky Holdings Corp. (FLHC) provided a loan amounting to ₱58.0 million to the Parent Company for the settlement of loans with Mortgage Trust Indenture (MTI). The loan to FLHC was fully settled as at June 30, 2015. Interest expense in 2015 amounted to ₱0.7 million.

Other notes payable
Other notes payable pertains to borrowings from the Philippine Sugar Corporation (Philsucor) as follows:

- A short-term loan amounting to ₱50.0 million obtained on July 21, 2014 with fixed annual interest rate of 6.0% and is payable in two semi-annual installments. The loan was fully settled on October 9, 2014. Interest expense on this loan amounted to ₱0.2 million in 2015.
- A short-term loan amounting to ₱33.0 million obtained in July 2013 with fixed annual interest rate of 8.0% and is payable in two semi-annual instalments. The loan was fully settled on October 9, 2014. Interest expense amounted to ₱0.2 million in 2015.
- A long-term loan amounting to ₱50.0 million on in October 2012 with fixed annual interest rate of 9.0% and is payable in semi-annual instalments for five years until October 2017. The loan was fully settled on October 9, 2014. Interest expense on this loan amounted to ₱ 1.1 million in 2015.

21. Costs of Goods Sold

This account consists of:

	2016	2015	2014
Inventory costs, spare parts, and supplies	**₱322,180,619**	₱67,629,205	₱15,972,756
Repairs and maintenance	**98,342,489**	102,094,089	151,657,686
Personnel cost:			
Salaries, wages, bonuses and other benefits	**48,162,881**	151,493,141	168,517,459
Retirement (Note 25)	**(3,652,739)**	12,172,602	8,132,676

(Forward)

	2016	2015	2014
Depreciation and amortization	**₱46,335,259**	₱48,542,872	₱46,293,357
Security and outside services	**44,397,278**	18,714,943	25,259,454
Freight and transportation	**37,513,945**	43,873,639	53,999,690
Power and steam	**7,307,801**	6,506,516	6,078,431
Insurance	**4,291,630**	3,984,624	4,371,505
Taxes and licenses	**1,525,505**	2,891,902	5,023,180
Others	**19,970,993**	19,574,956	26,502,157
	₱626,375,661	₱477,478,489	₱511,808,351

22. **Costs of Tolling Services**

This account consists of:

	2016	2015	2014
Power and steam	**₱44,637,716**	₱43,319,640	₱42,712,176
Repairs and maintenance	**20,375,983**	20,671,416	32,140,821
Spare parts and supplies	**11,200,723**	9,571,390	6,443,978
Personnel cost:			
Salaries, wages, bonuses and other benefits	**8,725,166**	24,355,192	26,654,814
Retirement (Note 25)	**(862,992)**	2,875,884	1,435,178
Security and outside services	**5,456,280**	–	–
Freight and transportation	**4,709,634**	5,471,332	5,373,606
Depreciation and amortization	**4,085,204**	2,098,473	2,877,610
Taxes and licenses	**1,657,415**	2,240,753	1,589,232
Insurance	**966,147**	962,716	1,227,607
Others	**1,078,593**	1,128,949	1,215,737
	₱102,029,869	₱112,695,745	₱121,670,759

23. **Cost of Industrial Services**

The cost of industrial services pertains to the services rendered by the Subsidiary. This account consists of:

	2016	2015
Power and steam	**₱4,782,204**	₱3,389,029
Repairs and maintenance	**4,201,063**	2,769,963
Security and outside services	**2,846,612**	1,904,573
Depreciation and amortization	**2,289,776**	1,844,097
Salaries, wages, bonuses and other benefits	**1,750,558**	1,374,339
Materials	**793,419**	486,712
Taxes and licenses	**271,446**	167,573
Retirement (Note 25)	**140,515**	120,106
Others	**991,132**	110,093
	₱18,066,725	₱12,166,485

24. **Operating Expenses**

This account consists of:

	2016	2015	2014
Personnel cost:			
Salaries, wages and other benefits	**₱35,344,253**	₱37,061,706	₱41,588,274
Retirement (Note 25)	**(902,321)**	3,131,726	2,167,188
Professional fees	**22,548,743**	18,726,355	17,877,843
Taxes and licenses	**13,700,453**	21,033,253	3,152,797
Repairs and maintenance	**6,768,000**	2,383,291	8,475,530
Transportation and travel	**6,265,888**	13,948,608	25,699,391
Provision for losses (Note 12)	**6,384,758**	–	–
Rentals (Note 28)	**3,167,963**	5,355,660	8,485,798
Depreciation and amortization	**2,901,831**	2,582,698	2,945,188
Provision for doubtful accounts (Note 8)	**2,550,466**	919,498	–
Entertainment, amusement and recreation	**1,897,476**	2,689,492	4,979,147
Bank charges	**1,378,294**	728,709	303,067
Dues and advertisements	**1,044,707**	1,050,710	687,635
Security and janitorial services	**997,114**	11,561,531	14,424,770
Light and water	**912,623**	1,646,030	3,244,321
Postage, telephone and telegram	**633,858**	968,424	1,380,608
Management fees and bonuses	**276,500**	1,978,138	18,454,002
Others	**3,324,371**	3,454,055	3,234,726
	₱109,194,977	₱129,219,884	₱157,100,285

25. **Retirement Cost**

Parent Company

The Parent Company maintains a tax-qualified, funded, noncontributory defined benefit retirement plan covering substantially all of its permanent employees. The benefits are based on years of service and compensation during the latest year of employment. The latest retirement valuation was made as at June 30, 2016.

The fund is administered by Luisita Trust Fund (LTF), a related party, under the supervision of LTF's Board of Trustees. The Board of Trustees defines the investment strategy as often as necessary, at least annually, especially in the case of significant market developments or changes to the structure of the plan participants. When defining the investment strategy, it takes into account the plans' objectives, benefit obligations and risk capacity. The defined benefit retirement plan meets the minimum retirement benefit specified under Republic Act (RA) No. 7641, Retirement Pay Law.

In May 2015, the Parent Company under the new owners and management reduced its headcount. Total amount paid by the Parent Company in relation to manpower reduction amounted to ₱355.0 million.

Net Retirement Expense (Income)

	2016	2015	2014
Current service cost	**₱1,680,531**	₱7,208,395	₱7,404,794
Settlement cost	**–**	20,875,989	–
Interest cost	**1,161,486**	7,505,831	7,313,682
Interest income	**(8,289,869)**	(17,289,897)	(2,983,434)
	(₱5,447,852)	₱18,300,318	₱11,735,042

Retirement Asset

	2016	2015
Fair value of plan assets	**₱765,526,094**	₱180,607,176
Present value of defined benefit obligations	**(56,695,672)**	(25,304,695)
Net retirement asset	**₱708,830,422**	₱155,302,481

Changes in the Present Value of Defined Benefit Obligation

	2016	2015
Balance at beginning of year	**₱25,304,695**	₱150,317,181
Interest cost	**1,161,486**	7,455,732
Current service cost	**1,680,531**	7,112,918
Benefits paid	**(12,932,746)**	–
Effect of curtailment	**–**	(135,115,265)
Actuarial loss (gain):		
Experience adjustments	**7,937,169**	(9,937,536)
Changes in demographic assumptions	**(569,447)**	–
Changes in financial assumptions	**34,113,984**	5,471,665
Pension benefit obligation at end of year	**₱56,695,672**	₱25,304,695

Changes in the Fair Value of Plan Assets

	2016	2015
Beginning balances	**₱180,607,176**	₱348,586,637
Interest income included in interest cost	**8,289,869**	17,289,897
Actual return excluding amount included in interest cost	**576,629,049**	(29,278,104)
Net benefits paid	**–**	(155,991,254)
Fair value of plan assets at end of year	**₱765,526,094**	₱180,607,176

Remeasurement Effects Recognized in OCI

	2016	2015	2014
Actuarial gain	**(₱41,481,706)**	₱4,465,871	₱4,693,031
Return on assets excluding amount included in net interest cost	**576,629,049**	(29,278,104)	271,843,997
Effect of asset ceiling	**–**	8,459,625	(8,459,627)
Amount to be recognized in OCI	**₱535,147,343**	(₱16,352,608)	₱268,077,401

Changes in Net Amount Recognized in OCI

	2016	2015
Net amount recognized in OCI, beginning	**₱117,333,690**	₱128,780,515
Amount recognized during the period - net of tax effect	**374,603,140**	(11,446,825)
Net amount recognized in OCI, ending	**₱491,936,830**	₱117,333,690

The fair value of the Parent Company's plan assets by each class as at the end of the reporting period are as follows:

	2016	2015
Assets:		
Cash in banks and cash equivalents	**₱3,494,196**	₱14,427,179
Office equipment - net	–	1
Investment in shares of stock	**1,041,588,240**	426,104,280
	1,045,082,436	440,531,460
Liabilities:		
Payable to CAT	**260,264,819**	258,649,685
Payable to FLHC	**1,450,428**	–
Accounts payable and accrued expenses	**17,841,095**	173,019
Payable to LLC	–	1,065,561
Withholding tax payable	–	36,019
	279,556,342	259,924,284
Net	**₱765,526,094**	₱180,607,176

Cash equivalents are short-term deposits made for varying periods up to three months and are not subject to significant credit risk and changes in value. Investments in shares of stock consist mainly of the Parent Company's shares which are traded in the PSE and the fund owns 16.76% or 4,734,492 common shares. The Chief Executive Officer of the Group and Chairman of the Board of Trustee of the fund, represents the fund and exercises the voting right over the shares owned by the fund. The Parent Company's shares of stock were listed in the PSE on April 12, 1977. There was no active trading on the Parent Company's outstanding shares in the PSE until the SEC issued an order on January 29, 2014 lifting the order of suspension made in 2010 in relation to the registration of and permit to sell the said securities. These investments are revalued based on quoted prices at closing dates. As of June 30, 2016, 2015 and 2014, the quoted prices of the Parent Company's shares were ₱220.0 per share, ₱89.2 per share ₱78.0 per share, respectively. The fund recognized gains arising from its investment in the equity securities of the Parent Company amounting to ₱615.5 million in 2016 and ₱82.0 million in 2015.

The principal actuarial assumptions used are as follows:

	2016	2015
Future salary increase rate	**3.00%**	3.00%
Discount rate	**4.36%**	4.59%
Turnover rate	**A scale of 1% at age 18 decreasing to 0% at age 60**	A scale of 1% at age 20 decreasing to 0% at age 49
Average working lives (in years)	**23**	16

Mortality rate is based on the 1994 Group Annuity Mortality Table for both 2016 and 2015.

The discount rate used is a single weighted average rate based on bootstrapped Philippine Dealing System Treasury Reference Rates (PDST-R2) at various tenors as of June 30, 2016. Rates for intermediate durations were interpolated. The rates were then weighted by the expected benefit payments at those durations to arrive at the single weighted average discount rate.

The turnover rate represents the proportion of current plan members who will resign from service prior to their retirement date and hence be entitled to resignation benefits instead of retirement benefits.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

Significant Assumptions	Defined Benefit Obligation
Discount rate	
Increase of 1%	(₱49,039,711)
Decrease of 1%	66,296,681
Future salary increase rate	
Increase of 1%	66,111,295
Decrease of 1%	(48,980,772)

The overall investment policy and strategy of the Parent Company's defined benefit plans is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay retirement benefits as they fall due while also mitigating the various risk of the plans.

The Parent Company does not expect to make additional contributions to the defined benefit plan in 2017 since the plan is on a net asset position.

The average duration of the defined benefit obligation as of June 30, 2016 and 2015 is 20 years.

Shown below is the maturity analysis of the undiscounted benefit payments:

	Expected Benefit Payments		
Plan Year	Normal Retirement	Other than Normal Retirement	Total
Less than 1 year	₱–	₱252,567	₱252,567
More than 1 year to 5 years	–	2,253,563	2,253,563
More than 5 years to 10 years	18,101,609	8,815,577	26,917,186
More than 10 years to 15 years	113,644,638	13,977,052	127,621,690
More than 15 years to 20 years	48,801,350	16,164,295	64,965,645
More than 20 years	2,022,462,104	308,999,090	2,331,461,194

The Subsidiary
The Subsidiary provides for estimated retirement benefits required to be recognized under R.A. No. 7641 to qualified employees. The benefits are based on years of service and compensation during the latest year of employment. The latest retirement valuation was made as at June 30, 2016.

Retirement Expense

	2016	2015	2014
Current service cost	**₱113,134**	₱95,477	₱168,793
Interest cost	**57,181**	50,099	–
	₱170,315	₱145,576	₱168,793

Changes in the Present Value of Defined Benefit Obligation

	2016	2015
Balance at beginning of year	**₱1,235,006**	₱1,411,786
Current service cost	**113,134**	95,477
Interest cost	**57,181**	50,099
Actuarial loss/ (gain) due to:		
Experience adjustments	**(120,203)**	55,552
Changes in demographic Assumptions	**(282,151)**	–
Changes in financial assumptions	**1,355,919**	(55,103)
Reversals	**–**	(322,805)
Pension benefit obligation at end of year	**₱2,358,886**	₱1,235,006

Remeasurement Effects Recognized in OCI

	2016	2015	2014
Actuarial loss	**₱953,565**	₱449	₱–

Changes in Net Amount Recognized in OCI

	2016	2015
Net amount recognized in OCI, beginning	**₱449**	₱–
Amount recognized during the period	**953,565**	449
Net amount recognized in OCI, ending	**₱954,014**	₱449

The principal actuarial assumptions used are as follows:

Future salary increase rate	10.00%
Discount rate	4.31%
Turnover rate	A scale of 24% at age 18 decreasing to 0% at age 60
Average working lives (in years)	12

Mortality rate is based on the 1994 Group Annuity Mortality Table for 2015.

The discount rate used is a single weighted average rate based on bootstrapped Philippine Dealing System Treasury Reference Rates (PDST-R2) at various tenors as of June 30, 2016. Rates for intermediate durations were interpolated. The rates were then weighted by the expected benefit payments at those durations to arrive at the single weighted average discount rate.

The turnover rate represents the proportion of current plan members who will resign from service prior to their retirement date and hence be entitled to resignation benefits instead of retirement benefits.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

Significant Assumptions	Defined Benefit Obligation
Discount rate	
Increase of 1%	(₱2,074,463)
Decrease of 1%	2,692,737
Future salary increase rate	
Increase of 1%	2,680,579
Decrease of 1%	(2,078,330)

The average duration of the defined benefit obligation as of June 30, 2016 is 16 years.

26. Related Party Transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by or under common control with the Group, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Terms and Conditions of Transaction with Related Parties

Outstanding balances of transactions with related parties at year-end are unsecured and settlements are made through offsetting. As at June 30, 2016 and 2015, the Group has allowance for doubtful accounts relating to amounts covered by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Transactions with Related Parties

The Group, in the normal course of business, has transactions with related parties.

Significant transactions with related parties are summarized below:

	Year	Amount/ Volume	Outstanding Balance Receivables (Payables)	Terms	Conditions
Shareholders of the Parent Company					
Receivables	**2016**	**₱–**	**₱75,458,098**	Net settlement; no interest	Unsecured, no impairment
	2015	75,458,098	75,458,098	Net settlement; no interest	Unsecured, no impairment
Payables	**2016**	–	**(2,949,085)**	Net settlement; no interest	Unsecured,
	2015	15,399,085	(15,399,085)	Net settlement; no interest	Unsecured,
CRAHI					
Receivables	**2016**	**₱63,381,998**	**₱90,945,758**	Net settlement; no interest	Unsecured, no impairment
	2015	208,563,759	208,563,759	Net settlement; no interest	Unsecured, no impairment
Payables	**2016**	–	–	Net settlement; no interest	Unsecured,
	2015	181,000,000	(181,000,000)	Net settlement; no interest	Unsecured,
Trust Fund					
Receivables	**2016**	**67,254**	**247,332,072**	Net settlement; no interest	Unsecured, no impairment
	2015	259,715,247	259,715,247	Net settlement; no interest	Unsecured, no impairment
Other Related Party					
Rentals	**2016**	**3,167,963**	–	Operating lease, payable monthly in advance	–
	2015	2,523,227	–	Operating lease, payable monthly in advance	–
Stockholders, Directors and Officers					
Receivables	**2016**	**39,967,513**	**11,020,750**	Non-interest bearing	Unsecured, with impairment
	2015	13,251,039	3,280,904	Non-interest bearing	Unsecured, with impairment

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

a. In 2015, the Parent Company sold land to North Star Estate Holdings, Inc (NSEHI) (see Note 15) and provided advances for working capital requirements resulting to a receivable from NSEH amounting to ₱75.5 million in 2016 and 2015.

b. The Parent Company has advances from FLHC amounting to ₱2.9 million and ₱15.4 million as at June 30, 2016 and 2015, respectively.

c. The Parent Company also provided advances to CRAHI for working capital requirements and for the Subsidiary's settlement of promissory note due to its previous shareholders resulting to a receivable from CRAHI amounting to ₱90.9 million and ₱208.6 million in 2016 and 2015, respectively.

d. On June 30, 2014, the Subsidiary has advances from TDC and HLI, previous affiliates, amounting to ₱1,380.2 million and ₱252.6 million, respectively. As part of the MOA, wherein new owner group acquired all outstanding shares of the Company, the advances to TDC were settled in October 2014. The Company paid interest amounting to ₱56.5 million and ₱26.1 million in 2016 and 2015 respectively.

e. As of June 30, 2015, the Subsidiary has advances from CRAHI for the settlement of the promissory notes due to its previous shareholders amounting to ₱181.0 million. During the year, CRAHI assigned to the Parent Company its receivable from the Subsidiary as part of the MOA.

f. In 2015, The Group made advances to LTF to partially fund the manpower reduction program amounting to ₱259.7 million, in 2015. Advances from LTF as at June 30, 2016 amounted to ₱247.3 million.

g. The Parent Company entered into a lease agreement with First Lucky Property Corporation (FLPC) for the transfer and lease of its corporate office commencing December 1, 2014 for a period of one year extendible at the option of the Parent Company..

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

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

Compensation of Key Management Personnel

Compensation and other benefits of key management personnel of the Group are as follows:

	2016	2015
Short-term employee benefits	**₱25,208,130**	₱13,665,194
Post-employment benefits	**–**	5,639,388
	₱25,208,130	₱19,304,582

27. **Income Taxes**

The components of the Group's recognized deferred tax assets and liabilities are as follows:

	2016	2015
Deferred taxes recognized in the statement of income		
Deferred tax assets:		
Pension expense	**₱12,112,672**	₱13,747,028
Unamortized portion of past service costs	**13,021,516**	15,662,396
Provision for losses	**1,915,427**	–
Accruals	**1,672,892**	1,672,892
Allowance for doubtful accounts	**1,475,676**	1,118,501
Allowance for inventory obsolescence	**1,431,122**	2,159,162
	31,629,305	34,359,979
Deferred taxes recognized directly in equity		
Deferred tax liabilities:		
Real estate held for sale and development	**79,186,027**	79,186,027
Revaluation increment on PPE	**212,327,277**	203,057,277
Retirement asset	**220,881,976**	60,337,773
	512,395,280	342,581,077
Net deferred tax liabilities	**₱480,765,975**	₱308,221,098

The reconciliation of income tax on income before income tax computed at the statutory tax rate to provision for income tax as shown in the consolidated statements of income is summarized as follows:

	2016	2015	2014
Income tax on income before tax	**₱80,553,721**	₱66,129,152	₱50,253,318
Income tax effects of:			
Effect of change in unrecognized deferred tax assets	**19,043,843**	8,522,012	(11,705,122)
Income subject to final tax	**(7,686,771)**	–	–
Interest income already subjected to final tax	**(199,740)**	(298,660)	(94,148)
Nondeductible expenses	**151,220**	3,170,907	7,786,192
Nontaxable income	–	(1,415,727)	–
Unallowable portion of interest expense	–	112,363	39,126
Dividend income	–	–	(14,821)
	₱91,862,273	₱76,220,047	₱46,264,545

The Group has deductible temporary differences that are available for offset against future taxable income or income tax payable for which deferred tax assets have not been recognized. These deductible temporary differences are as follows:

	2016	2015
Carryforward benefits of NOLCO	**₱94,917,391**	₱137,366,640
Allowance for doubtful accounts	**4,199,605**	3,908,206
MCIT	**3,336,834**	3,254,781
Accrual for retirement benefits	**1,405,321**	1,235,006
Others	**7,517,231**	138,957
	₱111,376,382	₱145,903,590

The Subsidiary has available NOLCO which can be carried over and applied against taxable income tax and MCIT which can be claimed as credit against the RCIT.

The following table summarizes the movements in NOLCO and MCIT:

NOLCO

Period of Recognition	Availment Period	Amount	Applied	Expired	Balance
2013	2014–2016	₱96,989,969	₱–	₱96,989,969	₱–
2015	2016–2017	40,376,670	–	–	40,376,670
2016	2017–2018	54,540,721	–	–	54,540,721
		₱191,907,360	₱–	₱96,989,969	₱94,917,391

MCIT

Period of Recognition	Availment Period	Amount	Applied	Expired	Balance
2013	2014–2016	₱247,578	₱–	₱247,578	₱–
2014	2015–2017	2,439,052	–	–	2,439,052
2015	2016–2018	568,151	–	–	568,151
2016	2017-2019	329,631	–	–	329,631
		₱3,584,412	₱–	₱247,578	₱3,336,834

28. Agreements

Milling Agreements

The Parent Company's milling agreements with various planters provide for a 67.0% and 33.0% sharing between the planters (including related parties) and the Parent Company, respectively, of sugar and molasses produced every crop year. As a consequence of the milling agreements and tolling contracts (for refined sugar) with planters and traders, the Parent Company holds the sugar stock of the planters and traders for safekeeping. The following table summarizes the sugar obligations of the Parent Company to planters and traders:

	2016	2015
Raw Sugar		
Planters	**– Lkg**	26,082 Lkg
Traders	**–** Lkg	1,359
Refined sugar - traders	**488,228**	348,167

Supply Agreement

The Parent Company entered into a supply agreement with a customer for the delivery of refined sugar with an aggregate value of ₱375.0 million in 2005. Customers' advances related to this agreement were received by the Parent Company. Because of the labor problem that severely affected the Parent Company's operations, the Parent Company failed to process the sugar requirements and comply with the scheduled delivery date under the agreement. The outstanding supply agreement, on which the delivery schedules were extended, is collateralized by real estate mortgage by certain stockholders.

On February 15, 2006, the agreement was amended to include a provision on interest and penalty for non-delivery of the refined sugar and interest of 12.0% per annum. The Parent Company recognized interest and penalties from non-delivery of refined sugar and rectified fine alcohol aggregating to ₱245.7 million in 2012.

On December 20, 2012, the Parent Company's BOD approved the agreement to settle the Parent Company's outstanding customer deposits. On December 21, 2012, the Parent Company and its related party, JCSI, entered into an agreement with the customer to amend the terms of the supply and toll manufacturing agreements. The obligations arising from the supply and toll manufacturing agreements were deemed substituted and novated by the payment of the relevant amounts specified in the revised proposal. Also on the same agreement, the customer confirmed that payment of the obligations shall be unconditionally assumed by JCSI. Notwithstanding the assumption of JCSI of the obligation, the Parent Company acknowledged, declared and confirmed that it shall, as long as any amount comprising the obligation remains outstanding, continue to act as a guarantor of obligation amounting to ₱1,063.7 million as at June 30, 2014. However, as part of the MOA, JCSI has settled its outstanding obligation amounting to ₱995.0 million last October 2014. As such, the Parent Company's financial guarantee is extinguished as of that date.

Lease Agreement
During the previous year, the Parent Company transferred its main office and entered into an operating lease agreement with FLPC effective from December 1, 2014 to November 30, 2015 (see Note 26). The lease contract includes a clause for the extension of the lease term for an additional period of three years at the option of the lessee. The Parent Company paid advance rental and security deposit amounting to ₱0.9 million and ₱0.8 million respectively. Rental expense recognized in the consolidated statement of income amounted to ₱3.2 million and ₱2.8 million in 2016 and 2015, respectively.

The Parent Company's previous lease agreement with JCE was renewed during the year effective January 1, 2014 until December 31, 2014. Rent expense charged to operations amounted to ₱2.5 million in 2015 and ₱8.5 million in 2014.

Labor Agreement
In November 2011, the Memorandum of Agreement between the Parent Company and union was finalized. The agreement covers a period of five years from July 1, 2011 up to June 30, 2016 and the significant issues and matters addressed by the both parties such as wage adjustments, hospitalization benefits, signing bonus and other provisions of the previous agreement which were not modified by or inconsistent with the addressed matters. The 2011-2016 CBA, however, became inoperative upon retirement of all employees in Tarlac, consisting of managers, supervisors, and rank and file, including all members of the bargaining unit, under the Parent Company's manpower reduction program which took effect in May 2015.

29. Capital Stock, Treasury Shares, and Earnings per Share

Capital Stock
The authorized capital stock of the Parent Company is 40.0 million shares as at June 30, 2016 and June 30, 2015, with par value of ₱10 per share. The Parent Company's shares of stock were listed in the PSE on April 12, 1977. There was no active trading on the Parent Company's outstanding shares in the PSE until the SEC issued an order on January 29, 2014 lifting the order of suspension made in 2010 in relation to the registration of and permit to sell the said securities.

The total number of shareholders is 395 and 409 as at June 30, 2016 and June 30, 2015, respectively.

Basic/diluted Earnings Per Share
The basic/diluted earnings per share for the years ended June 30, 2016, June 30, 2015 and June 30, 2014 are computed as follows:

	2016	2015	2014
Net income (a)	**₱176,662,487**	₱144,210,459	₱121,246,517
Weighted average number of shares (b):			
Issued shares	**28,254,596**	28,254,596	28,254,596
Less treasury shares	**720**	720	720
	28,253,876	28,253,876	28,253,876
Basic/diluted earnings per share (a/b)	**₱6.25**	₱5.10	₱4.29

The Group has no dilutive potential ordinary shares; hence the diluted earnings per share are the same as the basic earnings per share.

There are 720 shares that are in the treasury amounting to ₱7,200 as of June 30, 2016 and 2015. There are no movements in the Group's treasury shares in 2016 and 2015.

30. Notes to Statements of Cash Flows

In June 2014, the Parent Company settled its due from and due to related party balances amounting to ₱226.3 million as approved by the Parent Company's Board of Directors on June 30, 2014 (see Note 26).

In 2013, the Parent Company entered into an agreement with a major customer and a related party wherein the obligation of the Parent Company amounting to ₱348.6 million of customer's advances and ₱934.5 million of accumulated interest and penalties as at December 21, 2012 was assumed by the related party, which form significant part of the Parent Company's noncash operating and financing activities.

31. Fair Value Measurement and Financial Instruments

The following table provides the fair value measurement hierarchy of the Group's assets that are carried at fair value:

	2016			
	Fair Value Measurement Using			
	Quoted Prices in Active Markets (Level 1)	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Assets Measured at Fair Value				
Property, plant and equipment				
Land	**₱–**	**₱–**	**₱716,600,000**	**₱716,600,000**
Investment property	**–**	**–**	**1,357,400,000**	**1,357,400,000**
AFS financial assets - quoted	**104,066,900**	**–**	**–**	**104,066,900**
	₱104,066,900	**₱–**	**₱2,074,000,000**	**₱2,178,066,900**

	2015			
	Fair Value Measurement Using			
	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets Measured at Fair Value				
Property, plant and equipment				
Land	₱–	₱–	₱685,700,000	₱685,700,000
Investment property	–	–	1,357,400,000	1,357,400,000
AFS financial assets - quoted	103,517,560	–	–	103,517,560
	₱103,517,560	₱–	₱2,043,100,000	₱2,146,617,560

The following are the relevant information and assumptions used in determining the fair value of land:

- *Weighted average value per sq. m*. This pertains to the weighted average ask price of land per square meter based on the listing prices of comparable properties after the effect of adjustments relating to restrictions and the easement on the fair value measurement of the land.

- *Conditions on sale of comparable properties*. This pertains to the effect of restrictions or conditions that are present in contracts of sale relating to the comparable properties.

- *Physical adjustments*. These pertain to adjustments relating to the superiority or inferiority of the Company’s land as regards location, shape, topography, size, zoning, amenities, and easement for access and utility lines.

The table below summarizes the forgoing statements. It also presents the unobservable inputs used by management in assessing the fair value of land categorized as Level 3. Management believes that this information is beneficial in evaluating the fair value of the land.

Unobservable Inputs	Amount or Percentage of Unobservable Inputs	Relationship of Unobservable Inputs to Fair Value
Weighted average value per sq. m.	₱300 to ₱2,253	The higher the value, the higher the fair value
Conditions on sale of comparable properties	20.0%	The more onerous the conditions in contract of sale of comparable properties, the higher the fair value
Physical Adjustments	53.0%	The superiority of the quality of the Company’s land, the higher the fair value

Fair value of all other assets and liabilities approximates their carrying values as of June 30, 2016 and are disclosed in their respective notes. Below are the descriptions of the Company’s financial instruments that are carried in the financial statements as at June 30, 2016 and 2015.

Cash and Cash Equivalents, Receivables and Trade and Other Payables
Due to the short-term nature of these financial instruments, their fair values approximate the carrying amounts as of balance sheet date.

AFS Financial Assets
The fair value of the listed AFS financial assets are determined in reference to quoted market bid prices at the close of business on the balance sheet date since these are mostly actively traded in organized financial market. Unlisted common shares of stock are unquoted and there are no other reliable sources of their fair market values, therefore, they are stated at cost.

Notes Payable
The carrying value of notes payable with variable interest rates approximates their fair value because of semi-annual or quarterly resetting of interest rate based on market conditions. The fair values of notes payable with fixed interest rates based on Level 1 are determined using the discounted cash flow method. Discount rates used range from 4.8% to 6.0% and 5% to 10.5% as at June 30, 2016 and 2015. Because the nominal rates are almost similar to the discount rates used, the carrying values of fixed-rate notes payable approximate their fair values.

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There have been no assets and liabilities transferred between Level 1, Level 2 and Level 3 during the period.

32. Financial Risk Management Objectives and Policies

The Group's principal financial instruments include cash, AFS financial assets, notes payable and due from/to related parties. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as receivables and trade and other payables, which arise directly from its operations.

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

Liquidity Risk
Liquidity risk is the risk that the Group will not be able to settle or meet its obligations on time or at reasonable prices. The Group uses cash flow approach in managing its liquidity, in this way, funding requirements under normal economic condition are met.

The table below summarizes the maturity profile of the Group's financial liabilities as of June 30, 2016 and 2015 based on undiscounted payments:

	2016			
	Within 30 Days	**Within 1 Year**	**Above 1 Year**	**Total**
Notes payable including interest	**₱26,254,843**	**₱584,807,617**	**₱2,190,466,320**	**₱2,801,528,780**
Trade including interest	**31,883,585**	**124,839,540**	**–**	**156,723,125**
Due to related parties	**–**	**3,817,198**	**–**	**3,817,198**
Advances from JCE	**–**	**53,867,782**	**–**	**53,867,782**
Accruals*	**36,242,173**	**252,396,539**	**–**	**288,638,712**
Others	**2,945,176**	**21,600,568**	**–**	**24,545,744**
	₱94,954,915	**₱929,957,604**	**₱2,190,466,320**	**₱3,215,378,839**

**Excluding statutory liabilities*

	2015			
	Within 30 Days	Within 1 Year	Above 1 Year	Total
Notes payable including interest	₱47,937,111	₱251,638,606	₱2,441,007,153	₱2,740,582,870
Trade including interest	7,347,339	200,431,890	–	207,779,229
Advances from HLI	252,600,116	–	–	252,600,116
Due to related parties	–	196,399,085	–	196,399,085
Advances from JCE	–	53,867,782	–	53,867,782
Accruals*	–	104,880,252	–	104,880,252
Others	–	12,898,278	–	12,898,278
	₱307,884,566	₱820,115,893	₱2,441,007,153	₱3,569,007,612

**Excluding statutory liabilities*

The financial liabilities in the above tables are gross undiscounted cash flows. However, those amounts may be settled gross or net using the following financial assets:

	2016			
	Within 30 Days	**Within 1 Year**	**Above 1 Year**	**Total**
Cash and cash equivalents*	**₱93,156,664**	**₱–**	**₱–**	**₱93,156,664**
Receivables:				
Trade	**28,530,067**	**106,330,319**	**–**	**132,954,583**
Receivable from real estate contractors	**16,728,039**	**–**	**–**	**16,728,039**
Planters' receivables	**–**	**5,074,105**	**–**	**5,074,105**
Due from related parties	**–**	**413,735,928**	**–**	**413,735,928**
Advances	**181,387**	**86,566,181**	**–**	**86,747,568**
AFS financial assets:				
Proprietary	**103,280,000**	**–**	**–**	**103,280,000**
Listed	**624,900**	**–**	**–**	**624,900**
Unlisted	**162,000**	**–**	**–**	**162,000**
	₱242,499,021	**₱614,153,819**	**₱–**	**₱852,463,787**

**Excluding cash on hand*

	2015			
	Within 30 Days	Within 1 Year	Above 1 Year	Total
Cash and cash equivalents*	₱252,375,269	₱–	₱–	₱252,375,269
Receivables:				
Trade	50,637	2,422,195	–	2,472,832
Receivable from real estate contractors	19,554,587	–	–	19,554,587
Planters' receivables	3,488,452	10,706,053	–	14,194,505
Due from related parties	–	543,737,104	–	543,737,104
Advances	–	31,206,057	166,726,803	197,932,860
AFS financial assets:				
Proprietary	102,580,000	–	–	102,580,000
Listed	775,560	–	–	775,560
Unlisted	162,000	–	–	162,000
	₱378,986,505	₱588,071,409	₱166,726,803	₱1,133,784,717

**Excluding cash on hand*

Credit Risk

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

With respect to credit risk arising from other financial assets of the Group, which comprise cash in banks and cash equivalents, receivables, and AFS financial assets, exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments as stated below:

	2016	2015
Cash and cash equivalents*	**₱93,156,664**	₱252,375,269
Receivables:		
Trade	**132,954,583**	2,472,832
Receivables from real estate contractors	**16,728,039**	19,554,587
Planters' receivables	**5,074,105**	14,194,505
Due from related parties	**413,735,928**	543,737,104
Advances	**86,747,568**	197,932,860
AFS Financial Assets:		
Proprietary	**103,280,000**	102,580,000
Listed	**624,900**	775,560
Unlisted	**162,000**	162,000
Total credit risk exposure	**₱852,463,787**	₱1,133,784,717

**Excluding cash on hand*

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

As at June 30, 2016 and 2015, the analysis of receivables is as follows:

	2016					
		Neither	**Past Due but not Impaired**			
	Total	**Past Due nor Impaired**	**30 Days**	**90 Days**	**More than 150 Days**	**Impaired**
Trade	**₱137,307,672**	**₱133,118,619**	**₱–**	**₱–**	**₱–**	**₱4,189,053**
Receivables from real estate contractor	**16,728,039**	**16,728,039**	**–**	**–**	**–**	**–**
Planters' receivables	**5,074,105**	**–**	**5,074,105**	**–**	**–**	**–**
Due from related parties	**413,735,928**	**–**	**–**	**–**	**413,735,928**	**–**
Advances	**86,747,568**	**–**			**86,747,568**	**4,765,438**
	₱659,593,312	**₱154,035,711**	**₱5,074,105**	**₱–**	**₱500,483,496**	**₱8,954,491**

	2015					
		Neither	Past Due but not Impaired			
	Total	Past Due nor Impaired	30 Days	90 Days	More than 150 Days	Impaired
Trade	₱6,217,002	₱2,436,495	₱–	₱36,337	₱–	₱3,744,170
Receivables from real estate contractor	19,718,623	–	–	–	19,554,587	164,036
Planters' receivables	14,194,505	–	14,194,505	–		–
Due from related parties	543,737,104	–	–	–	543,737,104	–
Advances	201,661,195	–	–	–	201,661,195	3,728,335
	₱785,528,429	₱6,329,807	₱14,194,505	₱36,337	₱757,331,239	₱7,636,541

As at June 30, 2016 and 2015, the credit analyses of the Group's financial assets are as follows:

	2016		
	Grade		
	High	**Standard**	**Total**
Loans and receivables:			
Cash and cash equivalents*	**₱93,156,664**	**₱–**	**₱93,156,664**
Trade receivables	**321,475,864**	**–**	**321,475,864**
Others	**7,856,280**	**–**	**7,856,280**
AFS financial assets:			
Proprietary	**103,280,000**	**–**	**103,280,000**
Listed	**624,900**	**–**	**624,900**
Unlisted	**–**	**162,000**	**162,000**
	₱526,393,708	**₱162,000**	**₱526,555,708**

**Excluding cash on hand*

	2015		
	Grade		
	High	Standard	Total
Loans and receivables:			
Cash and cash equivalents*	₱252,375,269	₱–	₱252,375,269
Trade receivables	2,436,495	–	2,436,495
Others	3,893,312	–	3,893,312
AFS financial assets:			
Proprietary	102,580,000	–	102,580,000
Listed	775,560	–	775,560
Unlisted	–	162,000	162,000
	₱362,060,636	₱162,000	₱362,222,636

**Excluding cash on hand*

Credit Quality of Financial Assets
The credit quality of financial assets is managed by the Company using high grade and standard grade as internal credit ratings.

High Grade. This pertains to counterparty who is not expected by the Company to default in settling its obligations, thus, credit risk exposure is minimal. This normally includes large prime financial institutions, companies, government agencies and individual buyers. Credit quality was determined based on the credit standing of the counterparty.

Standard Grade. Other financial assets not assessed as high grade financial assets are included in this category.

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

The Group's financial instruments that are exposed to cash flow interest rate risk pertain mainly to its notes payable to local banks amounting to ₱2,407.2 million and ₱2,172.2 million in 2016 and 2015, respectively, which are subject to floating interest rate (see Note 20).

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

	Effect on Income Before Income Tax	
Increase/Decrease in Interest Rate	**2016**	2015
+1%	**(₱24,072,021)**	(₱21,721,971)
-1%	**24,072,021**	21,721,971

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

Capital Management
The Group's primary objective is to ensure that it maintains a strong credit rating and healthy capital ratios to sustain its business and maximize shareholder value. The Group manages its capital structure based on its business requirements and the economic environment. The Group monitors capital using a gearing ratio, which is total debt divided by total debt and equity. Total debt includes notes payable and trade and other payables. Equity includes capital stock, retained earnings, revaluation increment, unrealized cumulative gain on AFS financial assets and treasury stock.

	2016	2015
Notes payable	**₱2,434,791,890**	₱2,242,547,001
Trade and other payables	**413,850,059**	816,780,683
Deposits	**6,596,212**	5,793,053
Total debt (a)	**2,855,238,161**	3,065,120,737
Equity	**2,881,464,334**	2,308,985,288
Total debt and equity (b)	**₱5,736,702,495**	₱5,374,106,025
Gearing ratio (a/b)	**0.50**	0.57

SGV
Building a better working world

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ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Central Azucarera de Tarlac and Subsidiary as at June 30, 2016 and 2015 and for each of the three years in the period ended June 30, 2016, included in this Form 17-A and have issued our report thereon dated August 23, 2016. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules and the Schedule of All Effective Standards and Interpretations under Philippine Financial Reporting Standards are the responsibilities of the management of Central Azucarera de Tarlac. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jose Pepito E. Zabat

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. 5321714, January 4, 2016, Makati City

August 23, 2016

CENTRAL AZUCARERA DE TARLAC AND SUBSIDIARY
SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER PHILIPPINE FINANCIAL REPORTING STANDARDS
EFFECTIVE JUNE 30, 2016

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2016		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*	✓		
	Amendments to PFRS 1: *Additional Exemptions for First-time Adopters*			✓
	Amendment to PFRS 1: *Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters*			✓
	Amendments to PFRS 1: *Severe Hyperinflation and Removal of Fixed Date for First-time Adopters*			✓
	Amendments to PFRS 1: *Government Loans*			✓
PFRS 2	*Share-based Payment*			✓
	Amendments to PFRS 2: *Vesting Conditions and Cancellations*			✓
	Amendments to PFRS 2: *Group Cash-settled Share-based Payment Transactions*			✓
PFRS 3 (Revised)	*Business Combinations*	✓		
PFRS 4	*Insurance Contracts*			✓
	Amendments to PAS 39 and PFRS 4: *Financial Guarantee Contracts*			✓
PFRS 5	*Non-current Assets Held for Sale and Discontinued Operations*			✓
PFRS 6	*Exploration for and Evaluation of Mineral Resources*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2016		Adopted	Not Adopted	Not Applicable
PFRS 7	*Financial Instruments: Disclosures*	✓		
	Amendments to PFRS 7: *Transition*	✓		
	Amendments to PAS 39 and PFRS 7: *Reclassification of Financial Assets*	✓		
	Amendments to PAS 39 and PFRS 7: *Reclassification of Financial Assets - Effective Date and Transition*	✓		
	Amendments to PFRS 7: *Improving Disclosures about Financial Instruments*	✓		
	Amendments to PFRS 7: *Disclosures - Transfers of Financial Assets*	✓		
	Amendments to PFRS 7: *Disclosures - Offsetting Financial Assets and Financial Liabilities*			✓
	Amendments to PFRS 7: *Mandatory Effective Date of PFRS 9 and Transition Disclosures*	Not early adopted		
PFRS 8	*Operating Segments*	✓		
PFRS 9	*Financial Instruments*	Not early adopted		
	Amendments to PFRS 9: *Mandatory Effective Date of PFRS 9 and Transition Disclosures*	Not early adopted		
PFRS 10	*Consolidated Financial Statements*	✓		
PFRS 11	*Joint Arrangements*	✓		
PFRS 12	*Disclosure of Interests in Other Entities*			✓
PFRS 13	*Fair Value Measurement*	✓		
Philippine Accounting Standards				
PAS 1 (Revised)	*Presentation of Financial Statements*	✓		
	Amendment to PAS 1: *Capital Disclosures*	✓		
	Amendments to PAS 32 and PAS 1: *Puttable Financial Instruments and Obligations Arising on Liquidation*			✓
	Amendments to PAS 1: *Presentation of Items of Other Comprehensive Income*	✓		
PAS 2	*Inventories*	✓		
PAS 7	*Statement of Cash Flows*	✓		
PAS 8	*Accounting Policies, Changes in Accounting Estimates and Errors*	✓		
PAS 10	*Events after the Balance Sheet Date*	✓		
PAS 11	*Construction Contracts*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2016		Adopted	Not Adopted	Not Applicable
PAS 12	*Income Taxes*	✓		
	Amendment to PAS 12 - *Deferred Tax: Recovery of Underlying Assets*	✓		
PAS 16	*Property, Plant and Equipment*	✓		
PAS 17	*Leases*	✓		
PAS 18	*Revenue*	✓		
PAS 19 (Amended)	*Employee Benefits*	✓		
	Amendments to PAS 19: *Actuarial Gains and Losses, Group Plans and Disclosures*	✓		
	Amendments to PAS 19: *Defined Benefit Plans: Employee Contributions*	✓		
PAS 20	*Accounting for Government Grants and Disclosure of Government Assistance*			✓
PAS 21	*The Effects of Changes in Foreign Exchange Rates*	✓		
	Amendment: *Net Investment in a Foreign Operation*			✓
PAS 23 (Revised)	*Borrowing Costs*			✓
PAS 24 (Revised)	*Related Party Disclosures*	✓		
PAS 26	*Accounting and Reporting by Retirement Benefit Plans*			✓
PAS 27 (Amended)	*Separate Financial Statements*	✓		
PAS 28 (Amended)	*Investments in Associates and Joint Ventures*	✓		
PAS 29	*Financial Reporting in Hyperinflationary Economies*			✓
PAS 31	*Interests in Joint Ventures*	✓		
PAS 32	*Financial Instruments: Disclosure and Presentation*	✓		
	Amendments to PAS 32 and PAS 1: *Puttable Financial Instruments and Obligations Arising on Liquidation*			✓
	Amendment to PAS 32: *Classification of Rights Issues*	✓		
	Amendments to PAS 32: *Offsetting Financial Assets and Financial Liabilities*	Not early adopted		
PAS 33	*Earnings per Share*	✓		
PAS 34	*Interim Financial Reporting*	✓		
PAS 36	*Impairment of Assets*	✓		
PAS 37	*Provisions, Contingent Liabilities and Contingent Assets*	✓		
PAS 38	*Intangible Assets*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2016		Adopted	Not Adopted	Not Applicable
PAS 39	Financial Instruments: *Recognition and Measurement*	✓		
	Amendments to PAS 39: *Transition and Initial Recognition of Financial Assets and Financial Liabilities*	✓		
	Amendments to PAS 39: *Cash Flow Hedge Accounting of Forecast Intragroup Transactions*			✓
	Amendments to PAS 39: *The Fair Value Option*			✓
	Amendments to PAS 39 and PFRS 4: *Financial Guarantee Contracts*			✓
	Amendments to PAS 39 and PFRS 7: *Reclassification of Financial Assets*	✓		
	Amendments to PAS 39 and PFRS 7: *Reclassification of Financial Assets - Effective Date and Transition*	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: *Embedded Derivatives*			✓
	Amendment to PAS 39: *Eligible Hedged Items*			✓
PAS 40	*Investment Property*	✓		
PAS 41	*Agriculture*			✓
Philippine Interpretations				
IFRIC 1	*Changes in Existing Decommissioning, Restoration and Similar Liabilities*			✓
IFRIC 2	*Members' Share in Co-operative Entities and Similar Instruments*			✓
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*	✓		
IFRIC 5	*Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*			✓
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✓
IFRIC 9	*Reassessment of Embedded Derivatives*			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: *Embedded Derivatives*			✓
IFRIC 10	*Interim Financial Reporting and Impairment*			✓
IFRIC 12	*Service Concession Arrangements*			✓
IFRIC 13	*Customer Loyalty Programmes*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2016		Adopted	Not Adopted	Not Applicable
IFRIC 14	*The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*	✓		
	Amendments to Philippine Interpretations IFRIC- 14, *Prepayments of a Minimum Funding Requirement*	✓		
IFRIC 16	*Hedges of a Net Investment in a Foreign Operation*			✓
IFRIC 17	*Distributions of Non-cash Assets to Owners*			✓
IFRIC 18	*Transfers of Assets from Customers*			✓
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*			✓
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*			✓
SIC-7	*Introduction of the Euro*			✓
SIC-10	*Government Assistance - No Specific Relation to Operating Activities*			✓
SIC-12	*Consolidation - Special Purpose Entities*			✓
	Amendment to SIC - 12: *Scope of SIC 12*			✓
SIC-13	*Jointly Controlled Entities - Non-Monetary Contributions by Venturers*			✓
SIC-15	*Operating Leases - Incentives*	✓		
SIC-25	*Income Taxes - Changes in the Tax Status of an Entity or its Shareholders*			✓
SIC-27	*Evaluating the Substance of Transactions Involving the Legal Form of a Lease*	✓		
SIC-29	*Service Concession Arrangements: Disclosures*			✓
SIC-31	*Revenue - Barter Transactions Involving Advertising Services*			✓
SIC-32	*Intangible Assets - Web Site Costs*			✓

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

GENERAL INSTRUCTIONS

(A) Use of Form ACGR

This SEC Form shall be used to meet the requirements of the Revised Code of Corporate Governance.

(B) Preparation of Report

These general instructions are not to be filed with the report. The instructions to the various captions of the form shall not be omitted from the report as filed. The report shall contain the numbers and captions of all items. If any item is inapplicable or the answer thereto is in the *negative*, an appropriate statement to that effect shall be made. Provide an explanation on why the item does not apply to the company or on how the company's practice differs from the Code.

(C) Signature and Filing of the Report

A. Three (3) complete set of the report shall be filed with the Main Office of the Commission.

B. At least one complete copy of the report filed with the Commission shall be **manually** signed.

C. All reports shall comply with the full disclosure requirements of the Securities Regulation Code.

D. This report is required to be filed annually together with the company's annual report.

(D) Filing an Amendment

Any material change in the facts set forth in the report occurring within the year shall be reported through SEC Form 17-C. The cover page for the SEC Form 17-C shall indicate "Amendment to the ACGR".

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is Filed for the Year 2015

2. Exact Name of Registrant as Specified in its Charter CENTRAL AZUCARERA DE TARLAC, INC.

3. San Miguel, Tarlac City — 2301
   Address of Principal Office — Postal Cod

4.SEC Identification Number 727

5. (SEC Use Only)
   Industry Classification Code

6.BIR Tax Identification Number 000229931

7. (632) 8186270
Issuer's Telephone number, including area code

8. ....N/A...
   Former name or former address, if changed from the last report

TABLE OF CONTENTS

A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation	8
Actual number of Directors for the year	7

(a) Composition of the Board

Complete the table with information on the Board of Directors:

At the annual meeting of the stockholders of Central Azucarera de Tarlac (the "Corporation") held on 26 January 2016, the following were nominated and duly elected:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (If ID, state the number of years served as ID)	Elected when (Annual /Special Meeting)	No. of years served as director
MARTIN P. LORENZO	ED			Oct. 15, 2014	Jan. 21, 2016	Annual Meeting	2
FERNANDO C. COJUANGCO	ED			Jan. 31, 2012	Jan. 21, 2016	Annual Meeting	4
MARCO P. LORENZO	NED			Oct. 15, 2014	Jan. 21, 2016	Annual Meeting	2
VIGOR D. MENDOZA II	NED			Oct. 15, 2014	Jan. 21, 2016	Annual Meeting	2
FERNAN VICTOR P. LUKBAN	NED			Oct. 15, 2014	Jan. 21, 2016	Annual Meeting	2
RENATO B. PADILLA	ID		Nominated by Fernando C. Cojuangco, no relationship either by affinity or consanguinity, and neither did he have any professional or business relationship with ID	Jan. 31, 2012	Jan. 21, 2016 3 years as ID	Annual Meeting	4

BENJAMIN I. ESPIRITU	ID		Nominated by Fernando C. Cojuangco, no relationship either by affinity or consanguinity, and neither did he have any professional or business relationship with ID	Oct. 29, 2013	Jan. 21, 2016 2 years as ID	Annual Meeting	3

(b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

Section 1 of the Company's Manual on Corporate Governance lays down the following objective:

"The Board of Directors and Management, employees and shareholders, believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness within the organization as soon as possible."

The following are the provisions of the Company's Manual of Corporate Governance relative to the treatment of all shareholders, respect for the rights of minority shareholders, disclosure duties and board responsibilities.

"2. The Board of Directors (the "Board") is primarily responsible for the governance of the corporation. Corollary to setting the policies for the accomplishment of the corporate objectives, it shall provide an independent check on Management.

2.1 Composition of the Board

The Board shall be composed of at least five (5), but not more than fifteen (15), members who are elected by the stockholders.

The corporation shall have at least two (2) independent directors or such number of independent directors that constitutes twenty percent (20%) of the members of the Board, whichever is lesser, but in no case less than two (2).

The membership of the Board may be a combination of executive and non-executive directors (which include independent directors) in order that no director or small group of directors can dominate the decision-making process.

The non-executive directors should possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.

xxxxx

2.4 Responsibilities, Duties and Functions of the Board

2.4.1 General Responsibility

It is the Board's responsibility to foster the long-term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders.

The Board should formulate the corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.

2.4.2 Duties and Functions

To ensure a high standard of best practice for the corporation and its stockholders, the Board should conduct itself with honesty and integrity in the performance of, among others, the following duties and functions:

(a) Implement a process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies. Appoint competent, professional, honest and highly motivated management officers. Adopt an effective succession planning program for Management.

(b) Provide sound strategic policies and guidelines to the corporation on major capital expenditures. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance.

(c) Ensure the corporation's faithful compliance with all applicable laws, regulations and best business practices.

(d) Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the corporation. If feasible, the corporation's CEO or chief financial officer shall exercise oversight responsibility over this program.

(e) Identify the sectors in the community in which the corporation operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them.

(f) Adopt a system of check and balance within the Board. A regular review of the effectiveness of such system should be conducted to ensure the integrity of the decision making and reporting processes at all times. There should be a continuing review of the corporation's internal control system in order to maintain its adequacy and effectiveness.

(g) Identify key risk areas and performance indicators and monitor these factors with due diligence to enable the corporation to anticipate and prepare for possible threats to its operational and financial viability.

(h) Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board.

(i) Constitute an Audit Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities.

(j) Establish and maintain an alternative dispute resolution system in the corporation that can amicably settle conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including the regulatory authorities.

(k) Meet at such times or frequency as may be needed. The minutes of such meetings should be duly recorded. Independent views during Board meetings should be encouraged and given due consideration.

(l) Keep the activities and decisions of the Board within its authority under the articles of incorporation and by-laws, and in accordance with existing laws, rules and regulations.

(m) Appoint a Compliance Officer who shall have the rank of at least vice president. In the absence of such appointment, the Corporate Secretary, preferably a lawyer, shall act as Compliance Officer.

3. Specific Duties and Responsibilities of a Director

A director's office is one of trust and confidence. A director should act in the best interest of the corporation in a manner characterized by transparency, accountability and fairness. He should also exercise leadership, prudence and integrity in directing the corporation towards sustained progress. A director should observe the following norms of conduct:

a) Conduct fair business transactions with the corporation, and ensure that his personal interest does not conflict with the interests of the corporation.

The basic principle to be observed is that a director should not use his position to profit or gain some benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a director, he should fully and immediately disclose it and should not participate in the decision making process. A director who has a continuing material conflict of interest should seriously consider resigning from his position.

A conflict of interest shall be considered material if the director's personal or business interest is antagonistic to that of the corporation, or stands to acquire or gain financial advantage at the expense of the corporation.

b) Devote the time and attention necessary to properly and effectively perform his duties and responsibilities.

A director should devote sufficient time to familiarize himself with the corporation's business. He should be constantly aware of and knowledgeable with the corporation's operations to enable him to meaningfully contribute to the Board's work. He should attend and actively participate in Board and committee meetings, review meeting materials and, if called for, ask questions or seek explanation.

c) Act judiciously.

Before deciding on any matter brought before the Board, a director should carefully evaluate the issues and, if necessary, make inquiries and request clarification.

d) Exercise independent judgment.

A director should view each problem or situation objectively. If a disagreement with other directors arises, he should carefully evaluate and explain his position. He should not be afraid to take an unpopular position. Corollary, he should support plans and ideas that he thinks are beneficial to the corporation.

e) Have a working knowledge of the statutory and regulatory requirements that affect the corporation, including its articles of incorporation and by-laws, the rules and regulations of the Commission and, where applicable, the requirements of relevant regulatory agencies.

A director should also keep abreast with industry developments and business trends in order to promote the corporation's competitiveness.

f) Observe confidentiality.

A director should keep secure and confidential all non-public information he may acquire or learn by reason of his position as director. He should not reveal confidential information to unauthorized persons without the authority of the Board.

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14. Stockholders' Rights and Protection of Minority Stockholders' Interests

a) The Board shall respect the rights of the stockholders as provided for in the Corporation Code; namely:

(1) Right to vote on all matters that require their consent or approval;
(2) Pre-emptive right to all stock issuances of the corporation;
(3) Right to inspect corporate books and records;
(4) Right to information;
(5) Right to dividends; and
(6) Appraisal right.

b) The Board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the corporation. The stockholders should be encouraged to personally attend such meetings. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the bylaws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder's favor.

It is the duty of the Board to promote the rights of the stockholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights.

The Board should take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy. Accurate and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

Although all stockholders should be treated equally or without discrimination, the Board should give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the corporation.

xxxxx

16. Disclosure and Transparency

The essence of corporate governance is transparency. The more transparent the internal workings of the corporation are, the more difficult it will be for Management and dominant stockholders to mismanage the corporation or misappropriate its assets.

It is therefore essential that all material information about the corporation which could adversely affect its viability or the interests of the stockholders should be publicly and timely disclosed. Such information should include, among others, earnings results, acquisition or disposition of assets, off balance sheet transactions, related party transactions, and direct and indirect remuneration of members of the Board and Management. All such information should be disclosed through the appropriate Exchange mechanisms and submissions to the Commission.

(c) How often does the Board review and approve the vision and mission?

The Board reviews and approves the vision and mission annually.

(d) Directorship in Other Companies

(i) Directorship in the Company's Group[1]

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
MARTIN P. LORENZO	Mr. Martin P. Lorenzo is also a Director of Luisita Land Corporation (formerly Luisita Realty Corporation), a subsidiary of CAT	Mr. Martin P. Lorenzo is also the Chairman of the Board and the Chief Executive Officer of Luisita Land Corporation (formerly Luisita Realty Corporation).
FERNANDO C. COJUANGCO	Mr. Fernando C. Cojuangco is also a Director of Luisita Land Corporation (formerly Luisita Realty Corporation), a subsidiary of CAT	Mr. Fernando C. Cojuangco is also the President and Chief Operating Officer of Luisita Land Corporation (formerly Luisita Realty Corporation).
FERNAN VICTOR P. LUKBAN	Mr. Fernan Victor P. Lukban is also a Director of Luisita Land Corporation (formerly Luisita Realty Corporation), a subsidiary of CAT	NED
VIGOR D. MENDOZA II	Mr. Vigor D. Mendoza is a Director of Luisita Land Corporation (formerly Luisita Realty Corporation), a subsidiary of CAT	NED

(ii) Directorship in Other Listed Companies

[1] The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Not Applicable	Not Applicable	Not Applicable

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the relationship
Martin Ignacio P. Lorenzo and Marco P. Lorenzo are brothers.		

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

The members of the Board are advised to exercise their sound discretion in accepting or holding directorships in other corporations taking into account the directors' capacity to diligently and efficiently perform their duties and responsibilities to the boards they serve.

<table>
<tr><th></th><th>Guidelines</th><th>Maximum Number of Directorships in other companies</th></tr>
<tr><td>Executive Director</td><td rowspan="3">The Board may consider the adoption of guidelines on the number of directorships that its members can hold in stock and non-stock corporations. The optimum number should take into consideration the capacity of a director to diligently and efficiently perform his duties and responsibilities.

The Chief Executive Officer ("CEO") and other executive directors may be covered by a lower indicative limit for membership in other boards. A similar limit may apply to independent or non-executive directors who, at the same time, serve as full-time executives in other corporations.

In any case, the capacity of the directors to diligently and efficiently perform their duties and responsibilities to the boards they serve should not be compromised. (Section 2.2. of the Manual on Corporate Governance)</td><td>Not Applicable</td></tr>
<tr><td>Non-Executive Director</td><td>Not Applicable</td></tr>
<tr><td>CEO</td><td>Not Applicable</td></tr>
</table>

(c) Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company:

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
MARTIN P. LORENZO		20 / PCD Nominee	0.00%
		10,287,655 / CAT Resource Asset & Holdings, Inc. as PCD Participant[2]	36.4%
FERNANDO C. COJUANGCO		20 / PCD Nominee	0.00%
		9,884,219 /CAT Resource Asset & Holdings, Inc. as PCD Participant[3]	35.00%
MARCO P. LORENZO		20/PCD Nominee	0.00%
VIGOR D. MENDOZA II		20/PCD Nominee	0.00%
FERNAN VICTOR P. LUKBAN		20/PCD Nominee	0.00%
RENATO B.PADILLA	1		0.00%
BENJAMIN I. ESPIRITU	1		0.00%
TOTAL			71.40%[4]

2) Chairman and CEO

(a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes ☐ No ☑

While the Chairman and Chief Executive Officer positions are being held by one and the same individual, the President and Chief Operating Officer positions are held by another individual and they are not related to each other. Below are the officers mentioned:

Chairman of the Board and CEO	MARTIN P. LORENZO
President and COO	FERNANDO C. COJUANGCO

[2] Based on Annual Report 2015-2016
[3] Based on Annual Report 2015-2016
[4] Based on Annual Report 2015-2016

(b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

	Chairman	Chief Executive Officer
Role	The Manual on Corporate Governance provides:	
Accountabilities	2.3 The Chair and Chief Executive Officer The roles of Chair and CEO should, as much as practicable, be separate 'to foster an appropriate balance of power, increased accountability and better capacity for independent decision-making by the Board. A clear delineation of functions should be made between the Chair and CEO upon their election. If the positions of Chair and CEO are unified, the proper checks and balances should be laid down to ensure that the Board gets the benefit of independent views and perspectives. The duties and responsibilities of the Chair in relation to the Board include, among others, the following: (1) Ensure that the meetings of the Board are held in accordance with the by-laws or as the Chair may deem necessary; (2) Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, Management and the directors; and (3) Maintain qualitative and timely lines of communication and information between the Board and Management.	
Deliverables	Board Meetings are run efficiently and in a collegial manner; communication and information between the Board and the Management thru the COO are maintained	

3) Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions?

The Board's oversight responsibility pursuant to Section 6.1 of the Manual on Corporate Governance includes the following:

(a) Definition of the duties and responsibilities of the CEO who is ultimately accountable for the corporation's organizational and operational controls;
(b) Selection of the person who possesses the ability, integrity and expertise essential for the position of CEO;
(c) Evaluation of proposed senior management appointments;
(d) Selection and appointment of qualified and competent management officers; and
(e) Review of the corporation's human resource policies, conflict of interest situations, compensation program for employees, and management succession plan.

4) Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.

Yes. It is the function of the nomination committee to identify and recommend candidates nominated by a stockholder for election or re-election to the board or for appointment to fill-up any vacancy in the board. It is also the function of the committee to review on an annual basis after taking into account the board's anticipated needs for the ensuing year, the appropriate size and the current position of the board in light of the characteristics of independence, diversity, age, skills, experience, availability of service to the company, and such other attributes as the committee shall deem relevant to an individual's qualification to serve on the board.

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

Yes. Among the criteria of the nomination committee in identifying and recommending candidates for election or re-election to the board is the candidate's relevant experience in the sector or industry the company belongs to, in this instance the sugar industry.

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

	Executive	Non-Executive	Independent Director
Role	Executive directors provide entrepreneurial and strategic leadership for the business of the company. The CEO primarily implements the decisions and resolutions of the Board of Directors; The COO is responsible for the day to day management of the company; The CFO ensures that the financial resources of the company are available to achieve the objectives of the company.	The Non-Executive Directors provide critical scrutiny of management and business performance through their commendable experience in management, knowledge and experience of the business. They cater to enhance decision-making of the Board, work environment, and the working relationship between management / executive directors and independent directors.	The Independent Directors provide an impartial evaluation of the corporate performance resulting in the formulation of necessary guidelines and advice based on their competence and expertise.
Accountabilities	It is the Board's responsibility to foster the long-term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders.		
Deliverables	The Executive Directors propose strategies, policies, standards and the over-all general direction of the company. Further, they oversee and monitor that the approved resolutions of the Board concerning such strategies, policies, standards and over-all general direction of the company	The Non-Executive Directors provide assurance of having fair and reasonable management plans, proposals and course of actions	The Independent Directors further assures unbiased structure of management plans, proposals and course of actions that will be beneficial for and is at par with the objectives of the company.

	is properly implemented.		

Provide the company's definition of "independence" and describe the company's compliance to the definition.

Based on the Company's Manual on Corporate Governance, Section 2.1. thereof provides that "The corporation shall have at least two (2) independent directors or such number of independent directors that constitutes twenty percent (20%) of the members of the Board, whichever is lesser, but in no case less than two (2)."

SEC Memorandum Circular No. 16, Series of 2002, provides in part that –

A. Independent director means a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in any corporation that meets the requirements of Section 17.2 of the Securities Regulation Code and includes, among others, any person who:

i. Is not a director or officer or substantial stockholder of the corporation or of its related companies or any of its substantial shareholders (other than as an independent director of any of the foregoing);

ii. Is not a relative of any director, officer or substantial shareholder of the corporation, any of its related companies or any of its substantial shareholders. For this purpose, relatives includes spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;

iii. Is not acting as a nominee or representative of a substantial shareholder of the corporation, any of its related companies or any of its substantial shareholders;

iv. Has not been employed in any executive capacity by that public company, any of its related companies or by any of its substantial shareholders within the last five (5) years;

v. Is not retained as professional adviser by that public company, any of its related companies or any of its substantial shareholders within the last five (5) years, either personally or through his firm;

vi. Has not engaged and does not engage in any transaction with the corporation or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms length and are immaterial or insignificant.

B. When used in relation to a company subject to the requirements above:

i. Related company means another company which is: (a) its holding company, (b) its subsidiary, or (c) a subsidiary of its holding company; and
ii. Substantial shareholder means any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of its equity security.

C. An independent director shall have the following qualifications:

i. He shall have at least one (1) share of stock of the corporation;
ii. He shall be at least a college graduate or he shall have been engaged or exposed to the business of the corporation for at least five (5) years;
iii. He shall possess integrity/probity; and

iv. He shall be assiduous.

D. An independent director shall be disqualified as such during his tenure under the following instances or causes:

(i) He becomes an officer or employee of the Corporation, or becomes any of the persons enumerated under letter (A) above and
(ii) His beneficial security ownership exceeds 10% of the outstanding capital stock of the Corporation where he is such director;;
(iii) Fails without justifiable cause, to attend at least 50% of the total number of board meetings during his incumbency unless such absences are due to grave illness or death of an immediate family.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

The Board is aware of and shall comply with SEC Memorandum Circular No. 9, series of 2011 (which took effect on January 2, 2012) putting a limit on the number of years that an independent may serve as such. Prior to the issuance and effectivity of said memorandum circular, the Company does not observe a term limit for its independent directors, as long as the independent director has all the qualifications and none of the disqualifications.

5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

There has been no change in the composition of the Board of Directors.

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(i) Executive Directors	Nominees for the Board are submitted to the Nominations Committee, which evaluates the nominee's/candidate's qualifications and/or eligibility to become a Director. The Committee also considers the skills and characteristics necessary and appropriate for directors in the context of the Company's current needs and the Board's current composition, in order to achieve a Board composed of individuals with	Section 4 of the Company's Manual on Corporate Governance, which states: "4. Qualifications of Directors In addition to the qualifications for membership in the Board provided for in the Corporation Code, Securities Regulation Code and other relevant laws, the Board may provide for additional qualifications which include, among others, the following:

(ii) Non-Executive Directors	a mix of background and experience in various areas of core competency relevant to the business of the Company. Upon determining that the nominee or candidate is qualified/eligible or disqualified, then the Committee either accepts or denies the nomination, and submits its recommendation to the Board of Directors.	a) College education or equivalent academic degree; b) Practical understanding of the business of the corporation; c) Membership in good standing in relevant industry, business or professional organizations; and d) Previous business experience."
(iii) Independent Directors		Same as above (Section 4 of the Company's Manual on Corporate Governance) and SEC Memorandum Circular No. 16, Series of 2002 - Guidelines on the Nomination and Election of Independent Directors.
b. Re-appointment		
(i) Executive Directors	Same as above	Director maintains the qualifications and none of the disqualifications as enumerated and defined under the Company's Manual on Corporate Governance and the Revised Rules on Corporate Governance
(ii) Non-Executive Directors		
(iii) Independent Directors	Same as above	SEC Memorandum Circular No. 16, Series of 2002 - Guidelines on the Nomination and Election of Independent Directors
c. Permanent Disqualification		
(i) Executive Directors	Same as above	Section 5, Subsection 5.1 of the Company's Manual on Corporate Governance, provides: "5.1 Permanent Disqualification. The following shall be grounds for the permanent disqualification of a director: (a) Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund

		dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them; (b) Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities. The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization; (c) Any person convicted by final judgment or order by a court or competent administrative body of
(ii) Non-Executive Directors	Same as above	

		an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts; (d) Any person who has been adjudged by final judgment or order of the Commission, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the Commission or SSP, or any of its rule, regulation or order; (e) Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation; (f) Any person judicially declared as insolvent; (g) Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in Sub-paragraphs (1) to (5) above; (h) Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment." A temporary disqualified director who fails to take action to remedy or correct the qualification within a period of sixty (60) days from such disqualification shall be disqualified permanently (2nd paragraph, Section 5.2 of the Company's Manual on Corporate Governance.
(iii) Independent Directors		Same as above (Section 5, sub-section 5.1 of the Company's Manual on Corporate Governance) and SEC Memorandum Circular No. 16, Series of 2002 - Guidelines on the Nomination and Election of

		Independent Directors
d. Temporary Disqualification		
(i) Executive Directors	Same as above	Section 5, sub-section 5.2 of the Company's Manual on Corporate Governance provides: "5.2. Temporary Disqualification. The Board may provide for the temporary disqualification of a director for any of the following reasons: (a) Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists. (b) Absence in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election. (c) Dismissal or termination for cause as director of any corporation covered by this Code. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination. (d) If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds two percent of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.
(ii) Non Executive Directors	Same as above	
(iii) Independent Directors		Same as above (Section 5, Sub-section 5.2 of the Company's Manual on Corporate Governance) and SEC Memorandum Circular No. 16, Series of 2002 - Guidelines on the Nomination and Election of

		Independent Directors
e. Removal		
(i) Executive Directors	Section 28 of the Corporation Code provides: “ Sec. 28. Removal of directors or trustees. - Any director or trustee of a corporation may be removed from office by a vote of the stockholders holding or representing at least two-thirds (2/3) of the outstanding capital stock, or if the corporation be a non-stock corporation, by a vote of at least two-thirds (2/3) of the members entitled to vote: Provided, That such removal shall take place either at a regular meeting of the corporation or at a special meeting called for the purpose, and in either case, after previous notice to stockholders or members of the corporation of the intention to propose such removal at the meeting. A special meeting of the stockholders or members of a corporation for the purpose of removal of directors or trustees, or any of them, must be called by the secretary on order of the president or on the written demand of the stockholders representing or holding at least a majority of the outstanding capital stock, or, if it be a non-stock corporation, on the written demand of a majority of the members entitled to vote. Should the secretary fail or refuse to call the special meeting upon such demand or fail or refuse to give the notice, or if there is no secretary, the call for the meeting may be addressed directly to the stockholders or members by any stockholder or member of the corporation signing the demand. Notice of the time and place of such meeting, as well as of the intention to propose such removal, must be given by publication or by written notice prescribed in this Code. Removal may be with or without cause: Provided, That removal without cause may not be used to deprive minority stockholders or	Section 5, Subsection 5.1 of the Company’s Manual on Corporate Governance, provides: “5.1 Permanent Disqualification. The following shall be grounds for the permanent disqualification of a director: (a) Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person’s conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them; (b) Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities. The disqualification shall also apply if such person is currently the subject of an order of the
(ii) Non-Executive Directors		
(iii) Independent Directors		

	members of the right of representation to which they may be entitled under Section 24 of this Code.	Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization; (c) Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts; (d) Any person who has been adjudged by final judgment or order of the Commission, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the Commission or SSP, or any of its rule, regulation or order; (e) Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation; (f) Any person judicially declared as insolvent; (g) Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in Sub-paragraphs (1)

		to (5) above; (h) Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment." A temporary disqualified director who fails to take action to remedy or correct the qualification within a period of sixty (60) days from such disqualification shall be disqualified permanently (2nd paragraph, Section 5.2 of the Company's Manual on Corporate Governance. SEC Memorandum Circular No. 16, Series of 2002 - Guidelines on the Nomination and Election of Independent Directors
f. Re-instatement		
(i) Executive Directors	A proposal for the reinstatement of a Director is submitted to Nominations Committee. Upon determining that the Director is qualified for re-instatement, then the Committee submits its recommendation to the Board of Directors, for the latter's appropriate action.	Same as above
(ii) Non-Executive Directors		
(iii) Independent Directors		
g. Suspension		
(i) Executive Directors	Same as above	Same as above
(ii) Non-Executive Directors		
(iii) Independent Directors		

Voting Result of the last Annual Stockholders' Meeting held on January 26, 2016.

Name of Director	Votes Received
MARTIN P. LORENZO	88.16%
FERNANDO C. COJUANGCO	88.16%
MARCO P. LORENZO	88.16%
VIGOR D. MENDOZA II	88.16%
FERNAN VICTOR P. LUKBAN	88.16%

RENATO B. PADILLA	88.16%
BENJAMIN I. ESPIRITU	88.16%

6) Orientation and Education Program

(a) Disclose details of the company's orientation program for new directors, if any. Newly elected directors are furnished a copy of the Company's Manual on Corporate Governance, and encouraged to attend a seminar on corporate governance.

(b) State any in-house training and external courses attended by Directors and Senior Management[5] for the past three (3) years:

(c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

Name of Director/Officer	Date of Training	Program	Name of Training Institution
MARTIN P. LORENZO	October 30, 2015	Corporate Governance Seminar	ROAM, Inc.
FERNANDO C. COJUANGCO	October 30, 2015	Corporate Governance Seminar	ROAM, Inc.
MARCO P. LORENZO	October 30, 2015	Corporate Governance Seminar	ROAM, Inc.
VIGOR D. MENDOZA II	December 8, 2015	Corporate Governance Seminar	ROAM, Inc.
FERNAN VICTOR P. LUKBAN	October 30, 2015	Corporate Governance Seminar	ROAM, Inc.
RENATO B. PADILLA	August 3, 2016	Corporate Governance Forum	Securities and Exchange Commission
BENJAMIN I. ESPIRITU	August 3, 2016	Corporate Governance Forum	Securities and Exchange Commission
WELLERITA D. AGUAS	October 30, 2015	Corporate Governance Seminar	ROAM, Inc.
CECILE D. MACAALAY	October 30, 2015	Corporate Governance Seminar	ROAM, Inc.
JANETTE L. PEÑA	October 30, 2015	Corporate Governance Seminar	ROAM, Inc.

[5] Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

ADDISON B. CASTRO	August 3, 2016	Corporate Governance Forum	Securities and Exchange Commission

B. CODE OF BUSINESS CONDUCT & ETHICS

1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

<table>
<tr><th>Business Conduct & Ethics</th><th>Directors</th><th>Senior Management</th><th>Employees</th></tr>
<tr><td>(a) Conflict of Interest</td><td rowspan="2">Based on the Company's Manual on Corporate Governance, more particularly Section 3 thereof.

3. Specific Duties and Responsibilities of a Director

A director's office is one of trust and confidence. A director should act in the best interest of the corporation in a manner characterized by transparency, accountability and fairness. He should also exercise leadership, prudence and integrity in directing the corporation towards sustained progress. A director should observe the following norms of conduct:

a) Conduct fair business transactions with the corporation, and ensure that his personal interest does not conflict with the interests of the corporation.

The basic principle to be observed is that a</td><td rowspan="2">Must observe the same norms of conduct as directors, more particularly:

a) Conduct fair business transactions with the corporation, and ensure that his personal interest does not conflict with the interests of the corporation.

b) Devote the time and attention necessary to properly and effectively perform his duties and responsibilities

Violation of the non-compete clause in the employment contract is a ground for termination due to loss of trust and confidence.</td><td>Employees are required to make a full disclosure of possible conflict of interest. Conflict of Interest Questionnaire is routed to the employees every annually.

Transacting personal business on company premises whether the employee is on or off-duty is prohibited and subject to disciplinary action ranging from reprimand to dismissal.</td></tr>
<tr><td>(b) Conduct of Business and Fair Dealings</td><td>Any employee who commits an act of immorality and whose immoral conduct interferes with the proper performance of his duties, or cause actual harm to the interest of the Company or has a reasonable tendency to cause such harm shall be penalized with termination of employment

Any employee who by any of the means falsified document to the damage or detriment of the interest of the Company, or with the intention of causing such damage or detriment to Company</td></tr>
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<td></td>
<td rowspan="3">director should not use his position to profit or gain some benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a director, he should fully and immediately disclose it and should not participate in the decision making process. A director who has a continuing material conflict of interest should seriously consider resigning from his position.

A conflict of interest shall be considered material if the director’s personal or business interest is antagonistic to that of the corporation, or stands to acquire or gain financial advantage at the expense of the corporation.

b) Devote the time and attention necessary to properly and effectively perform his duties and responsibilities.

A director should devote sufficient time to familiarize himself with the corporation’s business. He should be constantly aware of and knowledgeable with the corporation’s operations to enable him to meaningfully contribute to the Board’s work. He should attend and actively participate in Board and committee meetings, review</td>
<td></td>
<td>interests shall be penalized with termination of employment.</td>
</tr>
<tr>
<td>(c) Receipt of gifts from third parties</td>
<td colspan="2">Must not use his position to profit or gain some benefit or advantage for himself and/or his related interests.</td>
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<tr>
<td>(d) Compliance with Laws & Regulations</td>
<td colspan="2">Based on the Company’s Code of Conduct:

Central Azucarera de Tarlac (CAT), an integrated sugar manufacturing plant producing raw and refined sugar, molasses, alcohol, carbon dioxide and yeast is committed to manage and continuously improve its Safety Management System (SMS) that shall provide a safe and healthy workplace; prevent and/or minimize accidents, injuries, and occupational health hazards relevant to the activities, products, and services of the organization.

• The company shall also commit itself to comply with the current applicable Occupational Health and Safety (OHS) legislations; and with the other requirements to which it subscribes.

Central Azucarera de Tarlac (CAT), an integrated sugar manufacturing plant producing raw and refined sugar, molasses, alcohol, carbon dioxide and yeast is committed to implement and continuously improve a consistent Environmental Management System (EMS) that shall help minimize the negative impacts of the above operations to land, air, and water; and to provide a clean, safe, and healthy environment for the reciprocal benefit of its employees, stakeholders, and the community where we operate.

To achieve this commitment, CAT shall adhere to these principles that lead to the following statements:

<u>Continuous Improvement to Sustain Development</u>

• CAT shall develop, put in place, and continuously improve, effective controls and procedures to conserve energy, water, and raw materials.

• CAT shall endeavor to re-use and recycle resources to reduce environmental impact to a minimum.

<u>Prevention</u></td>
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<td rowspan="3">meeting materials and, if called for, ask questions or seek explanation.

c) Act judiciously.

Before deciding on any matter brought before the Board, a director should carefully evaluate the issues and, if necessary, make inquiries and request clarification.

d) Exercise independent judgment.

A director should view each problem or situation objectively. If a disagreement with other directors arises, he should carefully evaluate and explain his position. He should not be afraid to take an unpopular position. Corollary, he should support plans and ideas that he thinks are beneficial to the corporation.

e) Have a working knowledge of the statutory and regulatory requirements that affect the corporation, including its articles of incorporation and by-laws, the rules and regulations of the Commission and, where applicable, the requirements of relevant regulatory agencies.

A director should also keep abreast with industry developments</td>
<td colspan="2">• CAT shall seek to prevent pollution at its source, reduce solid/liquid waste generated at our facilities; establish and support pollution-prevention procedures/programs that shall prevent, if not minimize, adverse effects of activities and/or conditions to its employees and to the environment.
• CAT shall reduce water consumption to prevent depletion of water sources by implementing and supporting set programs in water conservation.
• CAT shall treat chemical wastes or spent chemicals before proper disposal.

<u>Strict Compliance</u>

• CAT shall commit to comply with all relevant/applicable national and local environmental laws and regulations and shall continuously manage, check, and improve ways and means of controlling air emissions, land, and water discharges to assure compliance.</td>
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<td>(e) Respect for Trade Secrets/Use of Non-public Information</td>
<td>Violation of non-disclosure agreement / clause, as the case may be, is a ground for termination of employment by reason of loss of trust and confidence.</td>
<td>Any employee whose duties or functions entail knowledge of or accesses to any confidential information and who divulges the same, with or without prompting, to unauthorized persons shall be penalized with termination of employment.</td>
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<tr>
<td>(f) Use of Company Funds, Assets and Information</td>
<td>Any employee who steals, pilfers or misappropriates Company funds or its equivalent, materials, property or asset for personal gain or the gain of another shall be penalized with termination of employment</td>
<td>Any employee who steals, pilfers or misappropriates Company funds or its equivalent, materials, property or asset for personal gain or the gain of another shall be penalized with termination of employment.

Any employee who while operating, using,</td>
</tr>
</table>

	and business trends in order to promote the corporation's competitiveness. f) Observe confidentiality. A director should keep secure and confidential all non-public information he may acquire or learn by reason of his position as director. He should not reveal confidential information to unauthorized persons without the authority of the Board.		utilizing, manipulating, or while in custody of any vehicle, equipment, machine, or instrument of the Company, by negligence causes physical injury to, or the death of any person shall be subjected to disciplinary action ranging from suspension to dismissal, depending on the amount of damage and frequency of the offense.
(g) Employment & Labor Laws & Policies		The Anti-Sexual Harassment Policy and Drug Free Workplace Policy are in place.	In addition to the Anti-Sexual Harassment and Drug Free Workplace Policy, the Company's Labor Management Council also undertakes issues related to existing labor laws.
(h) Disciplinary Action		Types of Disciplinary Actions under the Company's Code of Conduct: Any employee who commits any of the offenses in the Company Policies and Rules and Regulations may be disciplined in accordance with the following Table of Penalties: 1. Written Warning – notice or advice given to an employee for having committed an offense, reminding or calling his/her attention of sterner penalties which may be imposed in case of repetition of the same offense. 2. Suspension – this place an employee under suspension without pay for the specified period of day(s), and all fringe benefits may also be considered suspended during the period of suspension. 3. Dismissal – this is termination of An employee for commission of an extremely serious violation or any repeated offenses. Violation of non-disclosure agreement / clause, as the case may be, is a ground for termination of employment by reason of loss of trust and confidence. Violation of the non-compete clause in the employment contract is a ground for termination	

		due to loss of trust and confidence
(i) Whistle Blower		This policy provides a formal procedure for a whistle blower, who may be a director, officer, employee, or other third party, who may raise his/her concerns regarding an illicit or unethical event inside the Corporation. The whistleblower may send a report through any available means of communication to the Human Resources Department. The report shall be treated in utmost confidence and the identity of the whistleblower shall not be disclosed, except when the whistle blower may be put to testify in court. Anonymous reports, though not prohibited, are highly discouraged as the veracity of the information may be put in issue. Intentionally submitting a false report/allegation or fabricating any material evidence shall be dealt with severely. Proper disciplinary action may be sanctioned against the employee, without prejudice to the right of the Corporation or the aggrieved party to initiate any civil or criminal suit.
(j) Conflict Resolution		Grievance procedure; mediation and conciliation; arbitration, and administrative investigation, as the case may be. The Company's Labor Management Council, composed of equal representation from the management and employees, handles issues of any violation of the Company's policies on Ethics and Good Governance and Company Rules and Regulations. The council also conducts investigation and makes recommendations on the reviewed and investigated cases.

2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

Yes.

3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

Based on the Company's Code of Conduct and Employee's Manual:

"Administration and Implementation

The administration and the implementation of this policy shall be the primary responsibility of the Unit Head who may, for this purpose, issue such implementing rules and regulations within their respective units that are consistent with this policy."

"Investigation and Decision

Upon complaint or report, or on his own initiative, a Unit Head shall investigate or cause to be investigated, and decide all disciplinary offenses involving employees within his/her Unit.

a. Offenses involving employees belonging to two or more Units shall be jointly investigated and decided by the Unit Heads concerned.
b. Offenses for which the prescribed penalty is dismissal shall be investigated and decided in accordance with applicable laws, presidential decrees and republic acts. The Unit Head shall, in the discharge of this responsibility, be assisted by the Legal Office.

The decision shall be in writing and shall state i) the proofs submitted during the investigation; ii) the offense proven to have been committed, and iii) the reason in support of the decision."

"Evaluation of Cases

The objectives sought to be attained by this policy shall be the guiding principles in evaluating all disciplinary cases. Unit Heads shall, in the discharge of their responsibilities under this Policy, see to it that the interests of the company are protected."

4) Related Party Transactions

(a) Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

Related Party Transactions	Policies and Procedures
(1) Parent Company (2) Joint Ventures (3) Subsidiaries (4) Entities Under Common Control	CAT shall comply with the prescribed laws, rules and regulations relative to transactions involving related parties. Policies and procedures are formulated and strictly implemented to ensure the integrity and transparency of related party transactions between and among the corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board. Parties are considered to be related if one party has the ability, directly and indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. The Corporation, in the normal course of business, has transactions with related

<table>
<tr><td>(5) Substantial Stockholders</td><td rowspan="3">parties.

However, to ensure integrity and transparency, all material information about the related party transaction, which could adversely affect its viability or the interests of the stockholders, shall be publicly and timely disclosed through the appropriate Exchange mechanisms and submissions to the Securities and Exchange Commission.

In addition, the Corporation's operations are not dependent on its related parties and it provides sufficient working capital support to its related parties</td></tr>
<tr><td>(6) Officers including spouse /children/siblings/parents</td></tr>
<tr><td>(7) Directors including spouse /children/siblings/parents</td></tr>
<tr><td>(8) Interlocking director relationship of Board of Directors</td><td></td></tr>
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(b) Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	Not Applicable
Name of Officer/s	Not Applicable
Name of Significant Shareholders	Not Applicable

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

	Directors/Officers/Significant Shareholders
Company	If an actual or potential conflict of interest may arise on the part of a director, he/she should fully and immediately disclose it and should not participate in the decision making process (Section 3[a] of the Company's Manual on Corporate Governance). The Audit Committee has been created to assist the Board in fulfilling its oversight responsibility of the Company's corporate governance process relating to the determination and resolution of possible conflict of interest between and the Company and/or its group and their

	directors, officers and significant shareholders.
Group	Not Applicable

5) Family, Commercial and Contractual Relations

(a) Indicate, if applicable, any relation of a family,[6] commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
Not Applicable	Not Applicable	Not Applicable

(b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description
Luisita Trust Fund	Luisita Trust Fund is a non-contributory retirement fund of the regular employees of the registrant	

(c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
Not Applicable	Not Applicable	Not Applicable

6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

	Alternative Dispute Resolution System
Corporation & Stockholders	The Office of the Corporate Secretary in coordination with the Company's authorized stock and transfer agent, attends to the stockholders' concerns.
Corporation & Third Parties	Arbitration clause is a standard provision in every

[6] Family relationship up to the fourth civil degree either by consanguinity or affinity.

	contract / agreement entered into by and between the Company and Third Parties
Corporation & Regulatory Authorities	The Company will submit to the appropriate ADR in settling conflicts with government authorities and regulatory agencies.

C. BOARD MEETINGS & ATTENDANCE

1) Are Board of Directors' meetings scheduled before or at the beginning of the year? Schedule of Board meeting is provided in the Company's By-Laws.

2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	MARTIN P. LORENZO	Jan. 26, 2016	6	6	100
Member	FERNANDO C. COJUAGNCO	Jan. 26, 2016	6	4	66.66
Member	MARCO P. LORENZO	Jan. 26, 2016	6	5	83.33
Member	VIGOR D. MENDOZA II	Jan. 26, 2016	6	5	83.33
Member	FERNAN VICTOR P. LUKBAN	Jan. 26, 2016	6	6	100
Independent	RENATO B. PADILLA	Jan. 26, 2016	6	4	66.66
Independent	BENJAMIN I. ESPIRITU	Jan. 26, 2016	6	6	100

3) Do non-executive directors have a separate meeting during the year without the presence of any executive?

No.

4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

A quorum at any meeting of the Board shall consist of a majority of the entire membership of the Board. A majority of such quorum shall decide any question that may come before the meeting , save and except any such matters in which the law of the Philippines may require the affirmative vote of a greater proportion of the members (Section 8, Article III, Amended By-Laws). However, all meetings of the Board were attended by at least two-thirds of the board members, with at least one (1) Independent Director present, and all Board decisions were unanimously approved.

5) Access to Information

(a) How many days in advance are board papers[7] for board of directors meetings provided to the board?

[7] Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

At least five (5) working days.

(b) Do board members have independent access to Management and the Corporate Secretary?

Yes. It is provided under Section 12 of the Company's Manual on Corporate Governance that "The members, either individually or as a Board, and in furtherance of their duties and responsibilities, should have access to independent professional advice at the corporation's expense."

(c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc? Yes.

Section 12 of the Company's Manual on Corporate Governance provides:

"The Corporate Secretary, who should be a Filipino citizen and a resident of the Philippines, is an officer of the corporation. He should –

(a) Be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the corporation;
(b) Be loyal to the mission, vision and objectives of the corporation;
(c) Work fairly and objectively with the Board, Management and stockholders;
(d) Have appropriate administrative and interpersonal skills;
(e) If he is not at the same time the corporation's legal counsel, be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities;
(f) Have a working knowledge of the operations of the corporation;
(g) Inform the members of the Board, in accordance with the bylaws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
(h) Attend all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent him from doing so;
(i) Ensure that all Board procedures, rules and regulations are strictly followed by the members; and
(j) If he is also the Compliance Officer, perform all the duties and responsibilities of the said officer as provided for in this Code."

(d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

Yes. The Corporate Secretary, Atty. Janette L. 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. Atty. Peña is also the Corporate Secretary of the CAT Resource & Asset Holdings Inc. and First Lucky Holdings Corp. Atty 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 & Co., Inc., other subsidiaries, among others.

(e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes ✓ No ☐

Committee	Details of the procedures
Executive	The Directors may request the Office of the Corporate Secretary to provide the necessary information to enable them to prepare in advance for their committee meetings. In the event that the information sought is not available at the Office of the Secretary, then the latter shall secure the same from the appropriate office/s.
Audit	
Nomination	
Remuneration	
Others (specify)	

6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

The general guidelines on how Directors can receive external advise is provided in the Company's Manual on Corporate Governance, to wit:

"12. Adequate and Timely Information

To enable the members of the Board to properly fulfill their duties and responsibilities, Management should provide them with complete, adequate and timely information about the matters to be taken in their meetings.

Reliance on information volunteered by Management would not be sufficient in all circumstances and further inquiries may have to be made by a member of the Board to enable him to properly perform his duties and responsibilities. Hence, the members should be given independent access to Management and the Corporate Secretary.

The information may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

The members, either individually or as a Board, and in furtherance of their duties and responsibilities, should have access to independent professional advice at the corporation's expense."

Procedures	Details
See above	See above

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

Existing Policies	Changes	Reason
Not Applicable	Not Applicable	Not Applicable

D. REMUNERATION MATTERS

1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	Compensation /Remuneration Committee	As determined by the Compensation /Remuneration Committee upon Recommendation of the CEO or COO, as the case may be. According to Section 9, Article III of the By-Laws of the Corporation, “The board shall fix the compensation or salary of the President, Vice-President, General Manager, Treasurer, Secretary and other duly elected or appointed officer or officers..”
(2) Variable remuneration	Compensation / Remuneration Committee	
(3) Per diem allowance	Compensation / Remuneration Committee	
(4) Bonus	Compensation / Remuneration Committee	
(5) Stock Options and other financial instruments	Not applicable	Not applicable
(6) Others (Professional Fees)	Not applicable	Not applicable

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company’s policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	In accordance with the By-Laws of the Corporation, “The Board of Directors shall receive a fee of five percent (5%) of the net profits of the Corporation which shall be distributed proportionately among the directors and a per diem of not less than FIVE HUNDRED (P500.00) PESOS for every board meeting actually attended.		
Non-Executive Directors			

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

Yes. Any amendments to the by-laws require the approval /ratification of the stockholders. In a special stockholders' meeting held on June 15, 2016, the stockholders approved the following changes in Section 5, Article III of the Amended By-Laws, which provides:

> *"5. DIRECTOR'S COMPENSATION – The Board of Directors shall receive a fee of up to three percent (3%) of the net profits of the Corporation which shall be distributed proportionately among the directors; and each director shall receive a reasonable per diem in an amount to be determined by the Board of Directors for every board meeting actually attended. Nothing herein contained shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefor."*[8]

Remuneration Scheme	Date of Stockholders' Approval
Not Applicable	Not Applicable

3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year[9]:

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	N/A	N/A	N/A
(b) Variable Remuneration	N/A	N/A	N/A
(c) Per diem Allowance	276,500		
(d) Bonuses	N/A		
(e) Stock Options and/or other financial instruments	N/A	N/A	N/A
(f) Transportation	138,250		
Total	414,750		

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
(1) Advances	N/A	N/A	N/A
(2) Credit granted	N/A	N/A	N/A

[8] The amendments to the By-Laws of the Company is filed with and awaiting for the approval of the Securities and Exchange Commission.
[9] The data provided covers compensation for EDs and Officers based on the Annual Report for Fiscal Year 2015-2016.

(3) Pension Plan / Contributions	N/A	N/A	N/A
(4) Pension Plans, Obligations incurred	N/A	N/A	N/A
(5) Life Insurance Premium	N/A	N/A	N/A
(6) Hospitalization Plan	N/A	N/A	N/A
(7) Car Plan	N/A	N/A	N/A
(8) Others (Specify)	N/A	N/A	N/A
Total	N/A	N/A	N/A

(4) Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

Director's Name	Number of Direct Option/Rights/ Warrants	Number of Indirect Option/Rights/ Warrants	Number of Equivalent Shares	Total % from Capital Stock
Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

Incentive Program	Amendments	Date of Stockholders' Approval
Not Applicable	Not Applicable	Not Applicable

(5) Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year:

Name of Officer/Position	Total Remuneration
Wellerita D. Aguas	7,720,442.88
Marcelo P. Karaan II	

All other officers and directors as a group	

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Executive	2	1		The by-laws of a corporation may create an executive committee, composed of not less than three members of the board, to be appointed by the board. Said committee may act, by majority vote of all its members, on such specific matters within the competence of the board, as may be delegated to it in the by-laws or on a majority vote of the board, except with respect to: (1) approval of any action for which shareholders' approval is also required; (2) the filing of vacancies in the board; (3) the amendment or repeal of by-laws or the adoption of new by-laws; (4) the amendment or repeal of any resolution of the board which by its express terms is not so amendable or repealable; and (5) a distribution of cash dividends to the shareholders.(Section 36, Corporation Code of the Philippines, as amended)			
Audit	1	1	1	Manual on Corporate Governance	Section 9 of the Company's Manual on Corporate Governance provides the functions of the following Committees: "9.1 The Audit Committee shall consist of at least three (3) directors, who shall preferably have accounting and finance backgrounds, one of whom shall be an independent director and another with audit experience. The chair of the Audit Committee should be an independent director. The committee shall have the following functions: (a) Assist the Board in the performance of its, oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations; (b) Provide oversight over		
Nomination	1	1	1	Manual on Corporate			

				Governance	Management's activities in managing credit, market, liquidity, operational, legal and other risks of the corporation, This function shall include regular receipt, from Management of information on risk exposures and risk management activities; (c) Perform oversight functions over the corporation's internal and external auditors. It should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions; (d) Review the annual internal audit plan to ensure its conformity with the objectives of the corporation. The plan shall include the audit scope, resources and budget necessary to implement it; (e) Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts; (f) Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal; (g) Monitor and evaluate the adequacy and effectiveness of the corporation's internal control system, including financial reporting control and information technology security; (h) Review the reports submitted by the internal and external auditors; (i) Review the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters: • Any change/s in accounting policies and practices • Major judgmental areas • Significant adjustments resulting from the audit • Going concern assumptions • Compliance with accounting standards
Remuneration	1	1	1	Manual on Corporate Governance	

					• Compliance with tax, legal and regulatory requirements. (j) Coordinate, monitor and facilitate compliance with laws, rules and regulations; (k) Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the corporation's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the corporation's annual report; (l) Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit Committee. The Audit Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties. 9.2 The Board may also organize the following **committees**: (a) A Nomination Committee, which may be composed of at least three (3) members and one of whom should be an independent director, to review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval, and to assess the effectiveness of the Board's processes and procedures in the election or replacement of directors; (b) A Compensation or Remuneration Committee, which may be composed of at least three (3) members and one of whom should be an independent director, to establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the corporation's culture, strategy and the business environment in which it operates."

Others (specify)							

2) Committee Members

(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Martin P. Lorenzo	Jan. 26, 2016				2 years
Member (ED)	Fernando C. Cojuangco	Jan. 26, 2016				2 years
Member (NED)	Fernan Victor P. Lukban	Jan. 26, 2016				2 years

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Benjamin I. Espiritu	Jan. 26, 2016	1	1	100%	2 years
Member (ED)	Martin P. Lorenzo	Jan. 26, 2016	1	1	100%	2 years
Member (ED)	Fernan Victor P. Lukban	Jan. 26, 2016	1	1	100%	2 years

Disclose the profile or qualifications of the Audit Committee members.

Benjamin I. Espiritu Ph. D, age 64, 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.

Martin Ignacio P. Lorenzo, age 51, 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, Restautants Concepts 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.

Fernan Victor P. Lukban, age 55, 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.

Describe the Audit Committee's responsibility relative to the external auditor.

The Audit Committee's responsibility relative to the external auditor is described in the Company's Manual on Corporate Governance, the pertinent provision of which reads:
"9.1 The Audit Committee shall consist of at least three (3) directors, who shall preferably have accounting and finance backgrounds, one of whom shall be an independent director and another with audit experience. The chair of the Audit Committee should be an independent director. The committee shall have the following functions:

xxxxx

(c) Perform oversight functions over the corporation's internal and external auditors. It should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;

(d) Review the annual internal audit plan to ensure its conformity with the objectives of the corporation. The plan shall include the audit scope, resources and budget necessary to implement it;

(e) Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;

xxxxx

(h) Review the reports submitted by the internal and external auditors;

(i) Review the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters:

- Any change/s in accounting policies and practices
- Major judgmental areas
- Significant adjustments resulting from the audit
- Going concern assumptions
- Compliance with accounting standards
- Compliance with tax, legal and regulatory requirements.

(j) Coordinate, monitor and facilitate compliance with laws, rules and regulations;

(k) Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the corporation's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the corporation's annual report;

xxxxx

(c) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Fernando C. Cojuangco	Jan. 26, 2016	No meeting has been held since the date of appointment considering that directors to be elected in the next Annual Stockholders' Meeting scheduled on the last Tuesday of January 2017 have yet to be nominated.			2 years
Member (NED)	Fernan Victor P. Lukban	Jan. 26, 2016				2 years
Member (ID)	Renato B. Padilla	Jan. 26, 2016				2 years

(d) Remuneration / Compensation Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Martin P. Lorenzo	Jan. 26, 2016	1	1	100%	2 years
Member (NED)	Fernan Victor P. Lukban	Jan. 26, 2016	1	1	100%	2 years
Member (ID)	Renato B. Padilla	Jan. 26, 2016	1	1	100%	2 years

(e) Others (Specify)

Provide the same information on all other committees constituted by the Board of Directors:

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
Executive	Not Applicable	Not Applicable
Audit	Not Applicable	Not Applicable

Nomination	Not Applicable	Not Applicable
Remuneration	Not Applicable	Not Applicable
Others (specify)	Not Applicable	Not Applicable

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Executive		
Audit	Reviewed the Company's unaudited interim quarterly and audited annual financial statements and discussed said financial statements with Management and the Company's External Auditor, SGV & Co., before submission to the Board; Reviewed and discussed the overall scope of the engagement of the External Auditor, SGV & Co.	Compliance with accounting standards; compliance with tax, legal and regulatory requirements; going concern assumptions
Nomination	Reviewed the qualifications and determined the eligibility of the persons nominated as Directors as well as those nominated to positions requiring the approval of the Board of Director	Those nominated as Directors and other positions requiring board approval possessed the qualifications and none of the disqualifications in accordance with the Manual on Corporate Governance, By-Laws, and the SEC Guidelines on the Nomination and Election of Independent Directors
Remuneration	Reviewed and approved the compensation and remuneration of the executive directors and officers	Compensation and remuneration of the executive directors officers are adequate and equitable.

5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues to be Addressed
Executive		

Audit	To continue performing its oversight functions pursuant to the Company's Manual on Corporate Governance, more particularly the review of the Company's unaudited interim quarterly and audited annual financial statements, and to monitor the Company's compliance with tax, legal and regulatory requirements.	• Any change/s in accounting policies and practices • Major judgmental areas • Significant adjustments resulting from the audit • Going concern assumptions • Compliance with accounting standards • Compliance with tax, legal and regulatory requirements.
Nomination	To review and evaluate the qualifications of the persons nominated as Directors as well as those nominated to positions requiring the approval of the Board of Directors	To ensure that persons nominated for the position of Board of Director and those appointed requiring approval of the Board of Directors possess all the qualifications and non of the qualifications, in accordance with the Company's Manual on Corporate Governance and By-laws
Remuneration	To review the remuneration of executive directors more particularly the CEO and the COO	To ensure that the remuneration/compensation of the CEO and the COO is competitive and equitable

F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;

It is the belief of CAT that risks are inherent in its business, but if properly managed can lead to opportunity and profitability. Thus, it is the policy of CAT to ensure that all risks are identified and measured, and that the appropriate control measures are put in place.

(b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

The directors regularly review the effectiveness of the risk management system and have found the same to be adequate.

(c) Period covered by the review;

End of fiscal year.

(d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and

The risk management system is reviewed at least once a year. However, should an extraordinary event or new developments not previously contemplated occur, then a review of the system, actual risks and measures, is undertaken.

The primary criteria for assessing the effectiveness of the system are: its ability to prevent the risk from occurring, mitigate the effects of the risks should they happen, and the ability of the Company to effectively respond to the situation.

(e) Where no review was conducted during the year, an explanation why not. Not Applicable

2) Risk Policy

(a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
Insufficient supply of sugar cane	It is the policy of CAT to ensure adequate supply of sugar cane and improve sugar cane farm yield	To maximize the capacity utilization of the sugar mill
Typhoons, strong winds and other like events that cause damage to crops, and equipment and properties of the Company	It is the policy of CAT to reduce, minimize and if possible prevent damage to equipment and properties of the Company from typhoons, strong winds and like events	To minimize, if not prevent damage to crops, and equipment and properties of the Company
Entry of cheap sugar and sugar by-products	It is the policy of CAT to remain competitive in a globally competitive economic environment	To produce quality sugar and sugar by-products at a competitive price

(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
Not applicable	Not applicable	Not applicable

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

Risk to Minority Shareholders
CRAHI is the owner of 71.4% of the Company's shares. Manual on Corporate Governance however, protects the rights of the minority shareholders.

3) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process	Risk Management and Control (Structures, Procedures, Actions Taken)
Insufficient supply of sugar cane	Monitoring undertaken by the Field Services Department to determine areas planted with sugar cane and the estimated yield thereof	Sugar cane farming intensification and expansion programs
Typhoons, strong winds and other like events that cause damage to crops, and equipment and properties of the Company	Mancom headed by the COO regularly monitors weather forecasts and other events that may affect CAT operations; close coordination with PAG ASA and AGROMET	Weather monitoring, disaster prevention and preparedness measures; devotion to First Friday Mass; and insurance coverage
Entry of cheap sugar and sugar by-products	Monitoring and assessment by Mancom and Marketing Department; close coordination with SRA and PSMA	Cost control to bring down cost of production without sacrificing quality

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Not Applicable	Not Applicable	Not Applicable

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

Committee/Unit	Control Mechanism	Details of its Functions
Audit Committee		The Audit Committee shall oversee the Management's activities in managing credit, market, liquidity, operational, legal and other risks of the corporation, including regular receipt from the Management of information on risk

		exposures and risk management activities

G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

(a) Explain how the internal control system is defined for the company;

The Company's Manual on Corporate Governance provides:

"6. Internal Control Responsibilities of the Board

The control environment of the corporation consists of (a) the Board which ensures that the corporation is properly and effectively managed and supervised; (b) a Management that actively manages and operates the corporation in a sound and prudent manner; (c) the organizational and procedural controls supported by effective management information and risk management reporting systems; and (d) an independent audit mechanism to monitor the adequacy and effectiveness of the corporation's governance, operations, and information systems, including the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, the safeguarding of assets, and compliance with laws, rules, regulations and contracts.

6.1 The minimum internal control mechanisms for the performance of the Board's oversight responsibility may include:

(a) Definition of the duties and responsibilities of the CEO who is ultimately accountable for the corporation's organizational and operational controls;
(b) Selection of the person who possesses the ability, integrity and expertise essential for the position of CEO;

(c) Evaluation of proposed senior management appointments;
(d) Selection and appointment of qualified and competent management officers; and
(e) Review of the corporation's human resource policies, conflict of interest situations, compensation program for employees, and management succession plan.

6.2 An internal audit system shall be established that can reasonably assure the Board, Management and stockholders that its key organizational and operational controls are faithfully complied with.

The Board shall appoint an Internal Auditor to perform the audit function, and require him to report to a level in the organization that allows the internal audit activity to fulfill its mandate. The Internal Auditor shall be guided by the International Standards on Professional Practice of Internal Auditing."

(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;

The directors have reviewed the effectiveness of the internal control system and found the same to be adequate and effective

(c) Period covered by the review;

End of fiscal year 2015.

(d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and

Once a year, and if the need arises.

(e) Where no review was conducted during the year, an explanation why not. Not Applicable.

2) Internal Audit

(a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor /Auditing Firm	Reporting process
Maintain an effective system of internal control that will ensure the protection of the assets of the Company	Section 13.1 (c) of the Company's Manual on Corporate Governance provides: "On the basis of the approved audit plans, internal audit examinations should cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the corporation's governance, operations and information systems, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets, and compliance with contracts, laws, rules and regulations;"	In-house	Allan Liwanag Sycip Gorres Velayo & Company	Section 9.1(l) of the Company's Manual on Corporate Governance provides that the Audit Committee shall have the following functions: "xxx Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit Committee. The Audit Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties."

(b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

Yes. It is provided under Section 9.1(f) of the Company's Manual on Corporate Governance that it is the function of the Audit Committee to "organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal".

(c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

The Internal Auditor reports to the Audit Committee directly. Yes, the Internal Auditor has direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel.

(d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

Name of Audit Staff	Reason
n/a	n/a

(e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

Progress Against Plans	On track
Issues[10]	No significant issues
Findings[11]	No significant findings
Examination Trends	No significant findings and issues

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:
1) Preparation of an audit plan inclusive of a timeline and milestones;
2) Conduct of examination based on the plan;
3) Evaluation of the progress in the implementation of the plan;
4) Documentation of issues and findings as a result of the examination;
5) Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;
6) Conduct of the foregoing procedures on a regular basis.]

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company

[10] "Issues" are compliance matters that arise from adopting different interpretations.
[11] "Findings" are those with concrete basis under the company's policies and rules.

and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."

Policies & Procedures	Implementation
Risk Management Policy	Implemented
Internal Audit and Control	Implemented
Budget Policies	Implemented

(g) Mechanism and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
The external auditor's engagement is limited to audit services and does not include non-audit services; the internal auditor reports directly to the Audit Committee and it has complete access to all records, properties and personnel	The Company has not engaged the services of any financial analyst, but if it does then the financial analyst shall be required to execute a non-disclosure agreement or confidentiality agreement with a stipulation prohibiting said financial analyst from trading in the Company's shares	Investments banks if any will be required to execute a non-disclosure agreement or a confidentiality agreement with a stipulation that it shall not trade in the Company's shares	The Company has not engaged the services of any rating agencies, but in the event that it does, then the rating agency/ies will be required to execute a non-disclosure agreement or confidentiality agreement with a stipulation that it shall not trade in the Company's shares

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

The Company's Chairman of the Board & Chief Executive Officer, President & Chief Operating Officer, Chairman of the Audit Committee who is an Independent Director, Independent Director and Compliance Officer, to the best of their knowledge, will attest to the Company's full compliance with the Securities and Exchange Commission's Corporate Governance Rules as set out in the SEC Memorandum Circular No. 5, Series of 2009.

H. ROLE OF STAKEHOLDERS

1) Disclose the company's policy and activities relative to the following:

	Policy	Activities
Customer's Welfare	Corporate Values based on the Company's Code of Conduct and Employee's Manual "VI. We Care for our Customers. Customer Friendly - Genuine Concern, Fairness, Equity. We recognize the value of our customers as the foundation of our sustained existence. Aware of this, we will do our best to meet their requirements from the macro needs of quality, quantity, on time delivery and price up to the micro level of ensuring consistency in weight. We will therefore continuously exert efforts to have a complete understanding of their needs."	Training for Attitudes, Skills and Knowledge Enhancement Program
Supplier/contractor selection practice	CAT maintains a shortlist of suppliers who were selected based on track record, dependability, reliability, quality and financial security.	
Environmentally friendly value-chain	Environmental Management System Policy based on the Company's Code of Conduct and Employee's Manual "Central Azucarera de Tarlac (CAT) an integrated sugar manufacturing plant producing raw and refined sugar, molasses, alcohol, carbon dioxide and yeast is committed to implement and continuously improve a consistent Environmental Management System (EMS) that shall help minimize the negative impacts of the above operations to land, air, and water; and to provide a clean, safe, and healthy environment for the reciprocal benefit of its employees, stakeholders, and the community where it operates.	Advance Training Course on Air Quality Management , Renewable Energy

	Continuous Improvement to Sustain Development • CAT shall develop, put in place, and continuously improve, effective controls and procedures to conserve energy, water, and raw materials. • CAT shall endeavor to re-use and recycle resources to reduce environmental impact to a minimum. *Prevention* • CAT shall seek to prevent pollution at its source, reduce solid/liquid waste generated at our facilities; establish and support pollution-prevention procedures/programs that shall prevent, if not minimize, adverse effects of activities and/or conditions to its employees and to the environment. • CAT shall reduce water consumption to prevent depletion of water sources by implementing and supporting set programs in water conservation. • CAT shall treat chemical wastes or spent chemicals before proper disposal. *Strict Compliance* • CAT shall commit to comply with all relevant/applicable national and local environmental laws and regulations and shall continuously manage, check, and improve ways and means of controlling air emissions, land, and water discharges to assure compliance. *Safety* • CAT shall encourage employees at all levels to actively participate and support all programs of continuous improvement of production; and of protection of human health,	

	occupational safety, and protection of the environment that shall improve productivity and reduce incidence of work accidents. *<u>Training and Open Communication</u>* • CAT shall provide appropriate environmental training and awareness to encourage its employees to practice this awareness; and to actively promote a sense of responsibility among themselves and to other interested parties.	
Community interaction	Corporate Values based on the Company's Code of Conduct and Employee's Manual "VII. We Build Communities Beyond CSR. Our commitment to our community is not a responsibility, it is a passion we strongly believe. We create farming communities composed of people who know sugarcane farming and support the industry. Our strength is anchored on the sustainable development of the communities where we operate. As such, sugarcane farming provides food on their table, education for their children, shelter for their family, and other needs. We create value and make people want to be part of the community and make them part of something big of a bigger whole enjoying rapport among themselves."	• Giving of *"The Ninoy Aquino Leadership Award"* in a form of medal to High Schools' valedictorians and salutatorians province wide of Tarlac, both Public and Private since 2010 (5years) – Yearly. • Scholarship to dependents of CAT EMPLOYEES (College and 1 year courses at Tarlac Training Center) (5years) – On-going activity • Medical and Dental Missions, Tree Planting, Blood Letting – yearly activity • Credit program to employees' spouses/dependents with at least 1 year continuous business existence. A maximum of P3,000.00 can be availed with 1% monthly interest. • Funds generation thru selling of souvenir items at the Supervisor's Lounge, (to finance projects of CSR) – on-going activity • Organized the CAT-Employees Dependents' Cooperative composed of the spouses /dependents of CAT Rank and File employees and are residents of Brgy. Central, Tarlac City.

Anti-corruption programs and procedures?	The Company does not tolerate corrupt practices and considers the following conduct, contrary to its policy and rules and regulations: (1) giving or accepting anything of value where the nature or value of the advantage is unreasonable or inappropriate to the occasion or the position and circumstances of the recipient (employee, supplier, contractor, customer, government agency); (2) giving or accepting anything of value with the intent or expectation of receiving or giving anything of value in return; (3) giving or accepting of value that may unduly influence the recipient's objectivity, judgment or discretion; (4) giving or accepting anything of value without proper documentation; and (5) violation of the Anti-Graft and Corrupt Practices Act.	
Safeguarding creditors' rights	The Company is committed to fulfill its financial obligations and pay/settle its loans to the full satisfaction of its creditors.	

2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?

   No.

3) Performance-enhancing mechanisms for employee participation.

   (a) What are the company's policy for its employees' safety, health, and welfare?

   From the Company's Employee's Manual:

   "Central Azucarera de Tarlac (CAT), an integrated sugar manufacturing plant producing raw and refined sugar, molasses, alcohol, carbon dioxide and yeast is committed to manage and continuously improve its Safety Management System (SMS) that shall provide a safe and healthy workplace; prevent and/or minimize accidents, injuries, and occupational health hazards relevant to the activities, products, and services of the organization.

   - The company shall also commit itself to comply with the current applicable Occupational Health and Safety (OHS) legislations; and with the other requirements to which it subscribes.
   - This SMS Policy shall be documented, implemented, and maintained; communicated to all employees with the intent that they are made aware of their individual OHS obligations; and made available to the public and other interested parties.
   - This SMS Policy shall be periodically reviewed to ensure that it remains relevant and appropriate to the organization.

(b) Show data relating to health, safety and welfare of its employees

Exposure Data for Fiscal Year 2015-2016

Number of Employees	472
Total Hours Worked by all employees during the year	1,697,024 Man Hours

Injury Summary

Total – All disabling injuries / illness	3 cases (12 lost work days)
Total - Non-disabling	51
Frequency Rate	1.77%
Severity Rate	7.07%

(c) State the company's training and development programmes for its employees. Show the data.

The Company, which offers opportunities for the employees to achieve their full potential, believes in creating a learning community that is conducive to the growth and the development of the employees. Development is an on-going partnership between the company and its employees, with the latter having the responsibility to grow in knowledge, skills and values or attitudes in areas that match the needs of the company.

Objective
To provide the learning opportunities, resources, and support that would enable the employees to professionally and personally grow through appropriate training.

Implementation
The following guidelines shall apply on:

Target Areas:

1. Training focuses on developing the alignment of purpose and performance across the company targeting the following:

    - Individual employee;
    - Team; and
    - Total Organization

Training Requirements:

2. To develop and maintain a competitive workforce, formal classroom training or informal on the job training may be required for every employee, and providing for learning opportunities especially when he/she:

    - Joins the company;
    - Assumes new responsibilities or position;
    - Needs improvement in job performance; and
    - Needs to acquire changes in technology, services, practices, procedures, and governmental requirements.

Training Types**:**

3. Learning shall take place throughout the organization everytime for everyone; occurring in both formal and informal settings:

a. Formal-training events – formal-training courses (both in-house and external), on-the-job training, study tour, temporary-work assignments.
b. Informal-training events – projects and task force assignments, readings, fora, seminars, video and audio presentations

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Training Scope:

4. Learning needs vary; and thus, a different training experience is important focusing on the following various contents:

   a. Managerial/Supervisory – related to leadership and management roles and functions.
   b. Technical –

      i. Functional – related to job function.
      ii. Environmental, Health, and Safety – related to compliance with company policies, objectives, and procedures; and governmental laws.
      iii. Computer – related to software applications.

Responsibility:

5. The Organization Manpower and Resource Development Department (OMRDD) shall:

   a. Identify the training needs of the employees, including the general awareness for environmental aspects and impacts, and other specialized jobs.
   b. Prepare and submit to the Resident Manager for approval the training plan including budget, and other resources needed.
   c. Implement, conduct, or monitor the training, seminar, or workshop programs. Resource person/trainor must have the competency requirements based on education, training and/or experience as evidenced by his/her training certificates.

For the Fiscal Year 2015-2016, employees of the Company underwent / attended the following training programs / seminars, to wit:

Fire Safety Training
Fire Watch
Contractor's Safety Orientation
CAT Employee Safety Orientation
Fire Watch
Contractor's Safety Orientation
CAT Employee Safety Orientation
First Aid Kit Usage
Confined Space Entry
Work Accident Form Usage
Safe Work Practices
Working At Heights

(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures

The Company has put in place a private retirement plan for the benefit of its employees.

4) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? Explain how employees are protected from retaliation.

The Company provides a work environment free from any form of discrimination, including verbal or physical harassment or intimidation from supervisors or co-employees.

The Anti-Sexual Harassment Policy of the Company is in place, and an Anti-Sexual Harassment Committee has been constituted to handle complaints related to sexual harassment. Each manager and supervisor has the responsibility to promote, create and maintain a workplace free from sexual harassment. This duty includes discussing this Policy with all supervised employees and assuring them that they will not have to endure insulting, degrading or exploitative sexual treatment or intimidating or harassing behavior.

It is against Company policy to harass or retaliate against an employee who reports a violation or suspected violation of the Company's Code of Conduct , Rules and Regulations and policies Employees are encouraged to report to the Human Resources Department for appropriate action, any suspected form of harassment or retaliatory behavior. All employees have a responsibility to promote safe work environment by co-operating in the investigation of the harassment or retaliatory behavior reported by an employee.

Moreover, the Company has initiated the constitution of a Labor Management Council, composed of members equally represented by the management and employees to address issues including any violation of policies on Ethics and Good Governance by conducting investigation and issuing recommendations thereon.

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

(a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
PCD Nominee	20,171,914	71.4%	CAT Resource Asset & Holdings, Inc.
Luisita Trust Fund (LTF)	4,734,492	16.76%	Luisita Trust Fund

2) Does the Annual Report disclose the following:

Key risks	Yes
Corporate objectives	Yes
Financial performance indicators	Yes
Non-financial performance indicators	Yes
Dividend policy	Yes
Details of whistle-blowing policy	No[12]
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes

[12] Details provided in the ACGR, which is submitted together with the Annual Report

Training and/or continuing education programme attended by each director/commissioner	No[13]
Number of board of directors/commissioners meetings held during the year	No[14]
Attendance details of each director/commissioner in respect of meetings held	No[15]
Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

3) External Auditor's fee

The aggregate fees paid by the registrant to SGV & CO. for the last two (2) fiscal years are as follows:

Name of auditor	Audit Fee	Non-audit Fee
SGV & Co.	1,000,000.00	Not Applicable

4) Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.

Registered mail, telephone, telefax, courier service, print media and PSE website

5) Date of release of audited financial report: October 13, 2016

6) Company Website

Does the company have a website disclosing up-to-date information about the following?

Business operations	**Yes**
Financial statements/reports (current and prior years)	**Yes**
Materials provided in briefings to analysts and media	**No**
Shareholding structure	**No**
Group corporate structure	**No**
Downloadable annual report	**Yes**
Notice of AGM and/or EGM	**Yes**
Company's constitution (company's by-laws, memorandum and articles of association)	**Yes**

Should any of the foregoing information be not disclosed, please indicate the reason thereto. Interested parties may request in writing any of the above information, addressed to the President or the Corporate Secretary.

7) Disclosure of RPT

[13] Details provided in the ACGR, which is submitted together with the Annual Report
[14] Details provided in the ACGR, which is submitted together with the Annual Report
[15] Details provided in the ACGR, which is submitted together with the Annual Report

The Company's transactions with related parties are disclosed under Note 26, pages 45-47 of the Company's audited financial statements June 30, 2016 and 2015, among which are as follows:

> Significant transactions with related parties included in the financial statements follow:
>
> a. In 2015, the Parent Company sold land to North Star Estate Holdings, Inc (NSEHI) (see Note 15) and provided advances for working capital requirements resulting to a receivable from NSEH amounting to =P75.5 million in 2016 and 2015.
>
> b. The Parent Company has advances from FLHC amounting to =P2.9 million and P=15.4 million as at June 30, 2016 and 2015, respectively.
>
> c. The Parent Company also provided advances to CRAHI for working capital requirements and for the Subsidiary's settlement of promissory note due to its previous shareholders resulting to a receivable from CRAHI amounting to =P90.9 million and =P208.6 million in 2016 and 2015, respectively.
>
> d. On June 30, 2014, the Subsidiary has advances from TDC and HLI, previous affiliates, amounting to =P1,380.2 million and =P252.6 million, respectively. As part of the MOA, wherein new owner group acquired all outstanding shares of the Company, the advances to TDC were settled in October 2014. The Company paid interest amounting to P=56.5 million and =P26.1 million in 2016 and 2015 respectively.
>
> e. As of June 30, 2015, the Subsidiary has advances from CRAHI for the settlement of the promissory notes due to its previous shareholders amounting to P=181.0 million. During the year, CRAHI assigned to the Parent Company its receivable from the Subsidiary as part of the MOA.
>
> f. In 2015, The Group made advances to LTF to partially fund the manpower reduction program amounting to =P259.7 million, in 2015. Advances from LTF as at June 30, 2016 amounted to =P247.3 million.
>
> g. The Parent Company entered into a lease agreement with First Lucky Property Corporation (FLPC) for the transfer and lease of its corporate office commencing December 1, 2014 for a period of one year extendible at the option of the Parent Company..
>
> h. Receivables from directors and employees represent loans and cash advances made by the Group for business expenses that are anticipated to be incurred by the employee, director, or officer in behalf of the Group.
>
> Intercompany receivables and payables with related parties will be settled by way of offsetting arrangements and exchanges of real properties.

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

The Audit Committee is granted the power to investigate any matter brought to its attention, including related party transactions, with full access to books and records.

J. RIGHTS OF STOCKHOLDERS

1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

Quorum Required	The quorum in the regular meetings shall be constituted by the attendance of shareholders holding or representing one-half plus one of the outstanding shares and a majority of such quorum shall decide any question that may come before the meeting, save and except in those several affirmative vote of a greater proportion. (Section 4, Article II of the Amended By-Laws)

(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	From SEC Form 20-IS: All matters or actions to be taken up in the meeting will require the vote of the security holders. The voting procedure is as follows: The number of votes due a security holder will depend on the number of shares he/she owns. Per share of stock is equivalent to one vote. In all items for approval except election of Members of the Board, each share of stock entitles its registered owner to one (1) vote.
Description	In the election of directors, every stockholder is entitled to vote the number of shares standing in his name on the books of the registrant and said stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one (1) candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal or he may distribute them on the same principle among as many candidates as he shall see fit, provided that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected. The election is by viva voce or by ballots, if requested by the stockholders.

(c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code

Stockholders' Rights under The Corporation Code	**Stockholders' Rights not in The Corporation Code**
Section 14 (a) of the Company's Manual on Corporate Governance provides: a) The Board shall respect the rights of the stockholders as provided for in the Corporation Code; namely: (1) Right to vote on all matters that require their consent or approval; (2) Pre-emptive right to all stock issuances of the corporation; (3) Right to inspect corporate books and records; (4) Right to information; (5) Right to dividends; and (6) Appraisal right.	Section 14(b) of the Company's Manual on Corporate Governance provides: It is the duty of the Board to promote the rights of the stockholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights. The Board should take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy. Accurate and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval. Although all stockholders should be treated equally or without discrimination, the Board should give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the corporation.

Dividends

Declaration Date	Record Date	Payment Date
Not Applicable	Not Applicable	Not Applicable

(d) Stockholders' Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

Measures Adopted	**Communication Procedure**
Stockholders who are present during the Annual Stockholders Meeting are encouraged to ask questions or put forward their views on matters to be considered during the meeting, or any matter relevant to the purpose of the meeting	Stockholders may ask questions directly to the Chairman of the Meeting or any of the Directors present;

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
    a. Amendments to the company's constitution
    b. Authorization of additional shares
    c. Transfer of all or substantially all assets, which in effect results in the sale of the company

In accordance with the Corporation Code, the shareholders are entitled to participate in the above corporate decisions and such items require at least 2/3 votes of the shareholders. Moreover, shareholders may exercise their appraisal rights under the manner provided in Section 82 of the Corporation Code in the following instances: (a) In case of any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence; (b) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets; (c). In case of increase of Authorized Capital Stock of the corporation; and (d) In case of merger or consolidation."

3. Does the company observe a minimum of 21 business days for giving out of notices[16] to the AGM where items to be resolved by shareholders are taken up? Yes

    a. Date of sending out notices: January 5, 2016

    b. Date of the Annual/Special Stockholders' Meeting: January 26, 2016

4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

   During the Annual Stockholders' Meeting held on January 26, 2016, Mr. Soliven inquired about the large amount of the non-current assets in the current financial statement and goodwill, where the said items showed lower amounts in 2014 financial statement. Company's Treasurer explained that the same is a result of a business consolidation without any tax exposure.

5. Result of Annual/Special Stockholders' Meeting's Resolutions

Annual Stockholders' Meeting held on January 26, 2016

Resolution	Approving	Dissenting	Abstaining
Approval of the Minutes of the Annual Meeting of the Stockholders held on 26 February 2015	88.16%	0	0
Approval of the Annual Report of the Company containing the Audited Financial Statements for the Fiscal Years 2014-2015 and the report of the independent Public Accountants.	88.16%	0	0
Ratification and confirmation of all acts of the Board for since the last annual meeting held on 26 February 2015. These acts are covered by Resolutions of the Board duly adopted in the normal course of trade or business	88.16%	0	0

[16] The stockholders were given Definitive Information Statement in accordance with Securities Regulation Code's Implementing Rules and Regulations, to wit:

> *SRC IRR. 20.11.13. Written notice, stating the date, time and place of the annual meeting shall be sent to all stockholders of record at least two (2) weeks prior to the schedule annual stockholders' meeting, unless a different period is required by the by-laws.* ***The distribution to stockholders of the information statement (SEC Form 20-IS) within the prescribed period under this Rule shall be sufficient compliance with the notice requirement.*** *(emphasis provided)*

involving, among other things, approval of projects/contracts, treasury matters including borrowings, opening of accounts and bank transactions; and appointment of signatories thereof.				
Election of the Members of the Board, including the independent directors, for the year 2016	MARTIN P. LORENZO	88.16%	0	0
	FERNANDO C. COJUANGCO	88.16%	0	0
	MARCO P. LORENZO	88.16%	0	0
	VIGOR D. MENDOZA II	88.16%	0	0
	FERNAN VICTOR P. LUKBAN	88.16%	0	0
	RENATO B. PADILLA	88.16%	0	0
	BENJAMIN I. ESPIRITU	88.16%	0	0
Appointment of SGV & Co. as External Auditors for the Year 2016		88.16%	0	0

Special Stockholders' Meeting held on June 15, 2016

Resolution	Approving	Dissenting	Abstaining
Ratification and confirmation of all acts of the approval of the Board for amendment to the Company's Articles of Incorporation and By-Laws.	88.16%	0	0

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions.

Results of the Annual Stockholders' Meeting held on January 26, 2016 was immediately disclosed to the Philippine Stock Exchange and submitted to the Securities and Exchange Commission on February 1, 2016.

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

Modifications	Reason for Modification
Not Applicable	Not Applicable

(f) Stockholders' Attendances

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

Type of Meeting	Names of Board members / Officers	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance

	present					
Annual	MARTIN P. LORENZO FERNANDO C. COJUANGCO MARCO P. LORENZO VIGOR D. MENDOZA II FERNAN VICTOR P. LUKBAN RENATO B. PADILLA BENJAMIN I. ESPIRITU	Jan. 26, 2016	By proxy and by show of hands			88.16%
Special	MARTIN P. LORENZO FERNANDO C. COJUANGCO MARCO P. LORENZO VIGOR D. MENDOZA II FERNAN VICTOR P. LUKBAN RENATO B. PADILLA BENJAMIN I. ESPIRITU	Jun 15, 2016	By proxy and by show of hands			88.16%

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs? No.

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.

Yes. The number of votes due a security holder will depend on the number of shares he/she owns. Per share of stock is equivalent to one vote.

In all items for approval except election of Members of the Board, each share of stock entitles its registered owner to one (1) vote.

In the election of directors, every stockholder is entitled to vote the number of shares standing in his name on the books of the Company and said stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one (1) candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal or he may distribute them on the same principle among as many candidates as he shall see fit, provided that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected. The election is by viva voce or by ballots, if requested by the stockholders.

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

	Company's Policies
Execution and acceptance of proxies	Stockholders may vote at all meetings the number of shares registered in their respective names in the books of the Corporation, either in person or by proxy duly executed and which shall have been presented to the Secretary for registration and registered at least twenty-four hours (24) before the day set for the holding of the meeting. (Section 5, Article II of the Amended By-Laws)
Notary	Proxy need not be notarized, unless executed abroad, in which event it should be authenticated by the Philippine Embassy or the Consular Office where the proxy was executed.
Submission of Proxy	Stockholders may vote at all meetings the number of shares registered in their respective names in the books of the Corporation, either in person or by proxy duly executed and which shall have been presented to the Secretary for registration and registered at least twenty-four hours (24) before the day set for the holding of the meeting. (Section 5, Article II of the Amended By-Laws)
Several Proxies	1 proxy per stockholder; latest proxy is recognized
Validity of Proxy	Unless otherwise provided in the proxy, it shall be valid only for the meeting for which it is intended. No proxy shall be valid and effective for a period longer than five (5) years at any one time. (Section 58 of the Corporation Code, as amended)
Proxies executed abroad	Must be authenticated by the Philippine Embassy or Consular Office where the proxy was executed
Invalidated Proxy	Invalidated proxy is set aside and vote is not counted

Validation of Proxy	Verification of the stockholders' signature appearing on the signature card and/or presentation of at least two government issued identification cards
Violation of Proxy	If invalid, then proxy is set aside and vote is not counted.

(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

Policies	Procedure
Service of the Definitive Information Statement or the SEC Form No. 20-IS serves as written notice in accordance with the SRC Rules. The Definitive Information Statement were sent to the stockholders at least fifteen (15) days prior to the date of the Annual/Special Stockholders' Meeting.	By personal service or registered mail or courier service.

(i) Definitive Information Statements and Management Report

Annual Stockholders Meeting Held on January 26, 2016

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	395 Stockholders[17]
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	December 17, 2015
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	January 5, 2016
State whether CD format or hard copies were distributed	CD Format
If yes, indicate whether requesting stockholders were provided hard copies	Yes

[17] Stockholders as of Record Date on 21 January 2016

Special Stockholders' Meeting held on 15 June 2016

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	394 Stockholders[18]
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	May 18, 2016
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	May 25, 2016
State whether CD format or hard copies were distributed	CD Format
If yes, indicate whether requesting stockholders were provided hard copies	Yes

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	Yes
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	Yes
The auditors to be appointed or re-appointed.	Yes
An explanation of the dividend policy, if any dividend is to be declared.	Yes, if any dividend is to be declared
The amount payable for final dividends.	Yes, if any dividend is to be declared
Documents required for proxy vote.	No

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

2) Treatment of Minority Stockholders

[18] Stockholders as of Record Date on 10 June 2016

(a) State the company's policies with respect to the treatment of minority stockholders.

Policies	Implementation
From the Company's Manual on Corporate Governance: "14. Stockholders Rights and Protection of Minority Stockholders' Interest. (b) xxxx Although all stockholders should be treated equally or without discrimination, the Board should give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the corporation.	

(b) Do minority stockholders have a right to nominate candidates for board of directors? Yes

K. INVESTORS RELATIONS PROGRAM

1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

Major announcements, if any, will be reviewed by the Corporate Secretary to be approved by the President and the COO.

2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

	Details
(1) Objectives	Provide fair, accurate, and timely information.
(2) Principles	
(3) Modes of Communications	Telephone, Fax, Annual Reports, Quarterly Reports, Annual Stockholder's Meeting and Disclosures
(4) Investors Relations Officer	The functions of the Investor Relations is being handled by a cross-functional team composed of the Corporate Affairs, Finance, and Office of the Corporate Secretary.

3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price. Not Applicable.

L. **CORPORATE SOCIAL RESPONSIBILITY INITIATIVES**

Discuss any initiative undertaken or proposed to be undertaken by the company.

Initiative	Beneficiary

Annual giving/awarding of *"The Ninoy Aquino Leadership Award"* in a form of medal to Valedictorians and Salutatorian High School graduates	Graduating High School students of Public and Private schools in the province of Tarlac
College Scholarship and 1 Year Vocational Course at the Tarlac Traning Center	Qualified dependents of CAT Employees
Continuing Medical and Dental Missions, Tree Planting, Blood Letting	Residents of Tarlac City and surrounding communities of CAT at San Miguel, Tarlac City
Continuing credit program/facility extended to spouses and dependents of CAT employees	Dependents and spouses of CAT employees

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	Process	Criteria
Board of Directors	Self-Assessment of the annual performance of the Board and its committees, individual directors and the CEO and COO is done during Board Meetings.	Manual on Corporate Governance
Board Committees		
Individual Directors		
CEO/President		

N. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees

Violations	Sanctions
The Board, officers and the management strives to prevent any breach or violation of the corporate governance manual.	Any violation or breach of the manual on corporate governance may be sanctioned with suspension, disqualification or removal from office.
Violations by officers of the applicable rule on corporate governance such as conflict of interest constitutes breach of trust and confidence.	Termination of employment due to loss of trust and confidence.
Violations of the Code of Code of Conduct and Company Policies and Rules and Regulations are laid out in the Code of Conduct and Policies concerned.	Ranging from suspension to termination of employment

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of MAKATI CITY on OCT 12 2016, 2016.

SIGNATURES

MARTIN IGNACIO P. LORENZO
Chairman of the Board and
Chief Executive Officer

FERNANDO IGNACIO C. COJUANGCO
President and
Chief Operating Officer

RENATO B. PADILLA
Independent Director

BENJAMIN I. ESPIRITU
Independent Director

ADDISON B. CASTRO
Compliance Officer

SUBSCRIBED AND SWORN to before me this OCT 12 2016 day of ________ 2016, affiants exhibiting to me their respective government issued ID as follows:

NAME	GOVERNMENT ISSUED ID AND NUMBER	EXPIRATION DATE AND/OR PLACE OF ISSUE
MARTIN IGNACIO P. LORENZO	PASSPORT NO. EC 6023262	12/2/2015
FERNANDO IGNACIO C. COJUANGCO	PASSPORT NO. EB 5820479	7/03/2012
RENATO B. PADILLA	PASSPORT NO. OE 0030644	6/10/2016
BENJAMIN I. ESPIRITU	PASSPORT NO. EB 9719149	12/02/2013
ADDISON B. CASTRO	PASSPORT NO. EC 3630424	31/10/2015

KARA MAE AURORA R. CHUA
NOTARY PUBLIC
Appointment No. M-518/ Until Dec. 31, 2017
4th Floor Jose Cojuangco & Sons Bldg.,
119 Dela Rosa corner Palanca Sts., Legaspi Village, Makati
PTR NO. 5473515/8.04.16/Makati City
IBP Lifetime No. 014843/5.17.16/Ilocos Norte
Roll No. 65559

NOTARY PUBLIC

Doc No. 60
Page No. 13
Book No. I
Series of 2016.

KARA MAE AURORA R. CHUA
NOTARY PUBLIC
ROLL NO. 65559
MAKATI CITY, PHILIPPINES

102012016003902

SECURITIES AND EXCHANGE COMMISSION

SECBuilding,EDSA,Greenhills,MandaluyongCity,MetroManila,Philippines
Tel:(632)726-0931 to 39Fax:(632)725-5293Email: mis@sec.gov.ph

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Company Representative

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Company Information

SEC Registration No.	PW00000727
Company Name	CENTRAL AZUCARERA DE TARLAC
Industry Classification	
Company Type	Stock Corporation

Document Information

Document ID	102012016003902
Document Type	17-C (FORM 11-C:CURRENT DISCL/RPT)
Document Code	17-C
Period Covered	February 01, 2016
No. of Days Late	0
Department	CFD
Remarks	

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. **February 1, 2016**
Date of Report (Date of earliest event reported)

2. SEC Identification Number **727** 3. BIR TIN **000-229-931**

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

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

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

7. **San Miguel, Tarlac City**
Address of principal office

2300
Postal Code

8. **(632)818-6270**
Issuer's telephone number, including area code

9. **N/A**
Former name or former address, if changed since last report

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

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

11. Indicate the item numbers reported herein:

Results of the Annual Stockholders' Meeting Held on 26 January 2016

In the recently concluded Annual Stockholders' Meeting of Central Azucarera de Tarlac ("CAT"), stockholders representing 88.16% of CAT's outstanding capital stock as of 21 January 2016 (record date), approved / ratified the following reports / proposals / acts:

1. The Minutes of the Annual Meeting of Stockholders held on 26 February 2015;

2. The Audited Financial Statements for the Fiscal Year Ending June 30, 2015, contained in the Annual Report for the Fiscal Year 2014-2015;

3. All acts and proceedings of the Board of Directors and Officers since the last Annual Meeting of the Stockholders;

4. Reappointment of Sycip Gorres Velayo & Company as external auditors of the Company for Fiscal Year 2015-2016.

In the same meeting, the stockholders elected the following nominees to the Board of Directors:

1. MARTIN IGNACIO P. LORENZO
2. FERNANDO IGNACIO C. COJUANGCO
3. MARCO P. LORENZO
4. VIGOR D. MENDOZA II
5. FERNAN VICTOR P. LUKBAN
6. RENATO B. PADILLA -- Independent Director
7. BEJAMIN I. ESPIRITU -- Independent Director

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized, in the City of Makati, Metro Manila on the 1st day of February 2016.

CENTRAL AZUCARERA DE TARLAC
Issuer

By:

Addison B Castro

ADDISON B. CASTRO
Assistant Corporate Secretary and Compliance Officer

102012016003890

SECURITIES AND EXCHANGE COMMISSION

SECBuilding,EDSA,Greenhills,MandaluyongCity,MetroManila,Philippines
Tel:(632)726-0931 to 39 Fax:(632)725-5293 Email: mis@sec.gov.ph

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Company Representative

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Company Information

SEC Registration No.	PW00000727
Company Name	CENTRAL AZUCARERA DE TARLAC
Industry Classification	
Company Type	Stock Corporation

Document Information

Document ID	102012016003890
Document Type	17-C (FORM 11-C:CURRENT DISCL/RPT)
Document Code	17-C
Period Covered	February 01, 2016
No. of Days Late	0
Department	CFD
Remarks	

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. **February 1, 2016**
Date of Report (Date of earliest event reported)

2. SEC Identification Number**727** 3. BIR TIN **000-229-931**

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

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

6. (SEC Use Only)
Industry Classification Code:

7. **San Miguel, Tarlac City**
Address of principal office

2300
Postal Code

8. **(632)818-6270**
Issuer's telephone number, including area code

9. **N/A**
Former name or former address, if changed since last report

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

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

11. Indicate the item numbers reported herein:

Results of the Organizational Board Meeting Held on 26 January 2016

In the recently concluded Board Meeting of Central Azucarera de Tarlac ("CAT"), the members of the Board of Directors convened to elect the officers and to constitute the committees of the Board. The outcome of said meeting is as follows:

A. The following were elected / appointed officers of CAT:

Name	Position
MARTIN IGNACIO P. LORENZO	Chairman of the Board and CEO
FERNANDO C. COJUANGCO	President and COO
CECILE D. MACAALAY	Treasurer
WELLERITA D. AGUAS	VP For Finance
JANETTE L. PEÑA	Corporate Secretary
ADDISON B. CASTRO	Assistant Corporate Secretary and Compliance Officer

B. The following were appointed to constitute the Board's Audit Committee, Compensation Committee, Nominations Committee and Executive Committee:

AUDIT COMMITTEE

BENJAMIN I. ESPIRITU	Chairman
MARTIN IGNACIO P. LORENZO	Member
FERNAN VICTOR P. LUKBAN	Member

NOMINATIONS COMMITTEE

FERNANDO C. COJUANGCO	Chairman
FERNAN VICTOR P. LUKBAN	Member
RENATO B. PADILLA	Member

COMPENSATION COMMITTEE

MARTIN IGNACIO P. LORENZO	Chairman
FERNAN VICTOR P. LUKBAN	Member
RENATO B. PADILLA	Member

EXECUTIVE COMMITTEE

MARTIN IGNACIO P. LORENZO	Chairman
FERNANDO C. COJUANGCO	Member
FERNAN VICTOR P. LUKBAN	Member

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized, in the City of Makati, Metro Manila on the 1st day of February 2016.

CENTRAL AZUCARERA DE TARLAC
Issuer

By:

Addison B. Castro
ADDISON B. CASTRO
Assistant Corporate Secretary and Compliance Officer

Securities and Exchange Commission
SRC Rule 68, as amended
Annex 68.1 M, Schedules

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

Name and Designation of Debtor	Balance, July 1, 2015	Additions	Amounts Collected	Amounts Written off	Current	Not Current	Balance at, June 30, 2016
Advances to officers and employees - cash advance for business expenses	3,280,904.00	9,548,618.75	(1,808,773)				11,020,750.00
	3,280,904.00	9,548,618.75	(1,808,772.75)	-	-	-	11,020,750.00

Securities and Exchange Commission
SRC Rule 68, as amended
Annex 68.1 M, Schedules

Schedule C. Non-Current Marketable Equity Securities, Other Long-Term Investments in Stock, and Other Investments

Name of Issuing entity and description of Investment	Beginning Balance		Additions		Ending Balance	
	Number of shares or principal amount of bonds and notes	Amount in Pesos	Equity in earnings (losses) of investees for the period	Other	Number of shares or principal amounts of bonds and notes	Amount in Pesos
Proprietary shares						
Luisita Golf and Country Club, Inc.	556	100,080,000	0		556	100,080,000
Alabang Golf & Country Club	1	2,500,000	0		1	3,200,000
Investment in shares of stock		-				-
Philippine Long Distance Corporation	3426	775,560	0		3426	624,900
CAT Realty Corporation	35000	147,000	0		35000	147,000
Economic Development Foundation, In	1	15,000			1	15,000
		103,517,560	-	-		104,066,900

Securities and Exchange Commission
SRC Rule 68, as amended
Annex 68.1 M, Schedules

Schedule D. Indebtedness of Unconsolidated Subsidiaries and Related Parties

Name of Related parties (1)	Balance at beginning of period	Balance at end of period
North Star Estate Holdings		75,458,098
CAT Resource and Asset Holdings, Inc.		90,945,758
Luisita Trust Fund		247,332,072
Luisita Golf & Country Club, Inc.		12,906,959
TOTAL	-	426,642,887

Securities and Exchange Commission
SRC Rule 68, as amended
Annex 68.1 M, Schedules

Schedule E. Intangible Assets - Other Assets

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
Goodwill	702,146,249					702,146,249

Securities and Exchange Commission
SRC Rule 68, as amended
Annex 68.1 M, Schedules

Schedule F. Long Term Debt

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet
Notes Payable - Banks		14,694,471	2,042,507,595
Total		**14,694,471**	**2,042,507,595**

Securities and Exchange Commission
SRC Rule 68, as amended
Annex 68.1 M, Schedules

Schedule G. Indebtedness to Related Parties (Long-Term Loans from Related Companies)

Name of related party	Balance at beginning of period	Balance at end of period
First Lucky Holdings Corporation	15,399,085	2,949,085
Total	**15,399,085**	**2,949,085**

Securities and Exchange Commission
SRC Rule 68, as amended
Annex 68.1 M, Schedules

Schedule H. Guarantees of Securities of Other Issuers (1)

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
NONE TO REPORT				

Securities and Exchange Commission
SRC Rule 68, as amended
Annex 68.1 M, Schedules

Schedule I. Capital Stock (1)

Title of Issue	Number of Shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common Shares	40,000,000	28,253,876		10,287,675	Martin Ignacio P. Lorenzo	
				9,884,239	Fernando C. Cojuangco	
				4,734,492		Luisita Trust Fund
TOTAL	40,000,000	28,253,876		24,906,406		

CENTRAL AZUCARERA DE TARLAC

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on ______________ 2016:

By:

MARTIN IGNACIO P. LORENZO
Chairman of the Board and CEO

FERNANDO IGNACIO C. COJUANGCO
President and COO

JANETTE L. PENA
Secretary

WELLERITA D. AGUAS
Vice President- Finance

LORA MAY M. CADA
Finance Manager

SUBSCRIBED AND SWORN to before me this day of SEP 14 2016 2016 affiant (s) exhibiting to me their PASSPORT ID's as follows:

NAME	ID No	EXPIRING ON
Martin Ignacio P. Lorenzo	EC 6023262	Dec. 1, 2020
Fernando C. Cojuangco	EB 5820479	July 2, 2017
Janette L. Pena	EB 9544620	Nov. 5, 2018
Wellerita D. Aguas	EC 7357953	Apr. 9, 2021
Lora May M. Cada	EB 8265870	May 30, 2018

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Series of 2016

MARIA KEALA MAE M. BLEZA
NOTARY PUBLIC
Appointment No. M-261 / Until Dec. 31, 2016
4/F J. Cojuangco Bldg. 119 Dela Rosa cor. Palanca Sts., Makati
PTR No. 5330768 / 01.08.16 / Makati City
IBP No. 1023450 / 01.08.16 / Calmana
Roll No. 62940