NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO ALL SHAREHOLDERS:

Notice is hereby given that the Annual Meeting of the Stockholders of **CENTRAL AZUCARERA DE TARLAC, INC.**, will be held on Tuesday, 30 January 2018, at 11 a.m. at the Luisita Golf & Country Club, San Miguel, Tarlac City. The Agenda for the meeting is as follows:

1. Call to Order
2. Proof of Notice of Meeting
3. Certification of Quorum
4. Reading and Approval of the Minutes of the Annual Meeting of Stockholders held on 31 January 2017
5. Approval of the Annual Report and the Audited Financial Statement for fiscal year ending 30 June 2017
6. Ratification and Confirmation of All Acts and Proceedings of the Board of Directors and Officers Since the last Annual Meeting of the Stockholders
7. Election of Directors
8. Amendment to Article I of the Amended Articles of Incorporation (Amending the Corporate Name to "Central Azucarera de Tarlac, Inc.")
9. Appointment of External Auditor
10. Such Other Matters as may Properly Come Before the Meeting, and
11. Adjournment.

For purposes of said meeting, the Stock and Transfer Books of the Corporation shall be closed from 10 – 30 January 2018. Accordingly, only stockholders of record as of 10 January 2018 shall be entitled to vote at said annual meeting.

The Organizational Meeting of the newly elected members of the Board shall be held immediately after the annual Stockholders meeting.

13 December 2017.

JANETTE L. PEÑA
Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 17.1(b)
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box
   [ ] Preliminary Information Statement[1]
   [√] Definitive Information Statement

2. Name of Registrant as specified in its charter **CENTRAL AZUCARERA DE TARLAC**

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

4. SEC Identification Number **PW0000727**

5. BIR Tax Identification Code **000229931**

6. **San Miguel, Tarlac City** **2301**
   Address of principal office Postal Code

7. Registrant's telephone number, including Area Code **(632) 818.62.70**

8. **January 30, 2018, 11:00 A.M., Luisita Golf & Country Club, San Miguel, Tarlac City**
   Date, time and place of the meeting of security holders

9. Approximate date on which the Information Statement is first to be sent or given to Security Holders **On or before January 2, 2018**

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (Information on number of shares and amount of debt is applicable only to corporate registrants)

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Shares	**282,545,960**

11. Are any or all of registrant's securities listed on a Stock Exchange?

    Yes **[√]** **No** **[ ]**

12. If yes, disclose the name of such Stock Exchange and the class of securities listed therein

    Philippine Stock Exchange **Common**

SECURITIES AND EXCHANGE COMMISSION
MARKET REGULATION DEPT.
DEC 27 2017
BY:
TIME:

[1] Updates are expected to be made when the Definitive Information Statement is filed.

CENTRAL AZUCARERA DE TARLAC, INC.
Information Statement

A. GENERAL INFORMATION

Item 1. Date, time and place of Annual Meeting of Security Holders

The Annual Stockholders' Meeting of Central Azucarera de Tarlac (the "Company") is scheduled to be held on January 30, 2018, 11:00 a.m. at the Luisita Golf & Country Club, San Miguel, Tarlac City.

The complete mailing address of the Company is CAT, San Miguel, Tarlac City 2301.

The approximate date on which this Information Statement (in compact disc format) shall be sent to stockholders is on or before January 02, 2018.

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE NOT REQUESTED TO SEND US A PROXY

Item 2. Dissenters' Right of Appraisal

Sections 37, 42 and 81 of the Corporation Code enumerates the instances when a stockholder of any corporation may exercise his appraisal right. These are:

1. In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class;

2. In case of extending or shortening the term of corporate existence;

3. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets;

4. In case of merger or consolidation.

5. In case the corporation invests its funds in another corporation or business outside of its primary purpose.

There are no matters to be acted upon in the annual stockholders' meeting that may give rise to the exercise of a dissenter's right of appraisal under the Corporation Code.

If, at any time after this Information Statement has been distributed to the stockholders, an action that may give rise to the right of appraisal is proposed and voted upon at the meeting, then any dissenting stockholder who wishes to exercise his/her appraisal right must make a written demand, within thirty (30) days after the date of the meeting or when the vote was taken, for the payment of the fair market value of his shares.

Item 3. Interest Of Certain Persons In Or Opposition To Matters To Be Acted Upon

a) No directors or officers, or nominees/candidates for election as a director of the Corporation, or any of their associates have any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon in the annual stockholders' meeting other than election to office.

b) The Company has not received any information from any director who intends to oppose any matter or action to be taken in the annual stockholders' meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

a) Number of Shares Outstanding and the Number of Votes to which each class is entitled.

There are 282,545,960 outstanding shares of registrant entitled to be voted at the annual stockholders' meeting. 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.

b) Record Date.

Only stockholders of record as of January 10, 2018 are entitled to vote during the annual stockholders' meeting.[2]

c) Voting Procedures of Directors.

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 ballot, unless there is a motion duly made and seconded that the election be made viva voce.

[2] The register of shares of the Corporation and its transfer books shall be closed during the next twenty (20) days preceding the General Meeting upon which the election of the Directors is held and during the twenty (20) days preceding the date upon which dividends are declared payable and during such time as the Board of Directors may determine. (Section 2, Article I, Amended By-Laws)

d) (i) Security Ownership of Certain Record and Beneficial Owners.

As of 30 November 2017, the Security Owners of Certain Record and Beneficial Owners of more than 5% is set forth in the table below:

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Citizenship	Name of Beneficial Ownership and Relationship with Record Owner	Number of Shares Held	%
Common	PCD Nominee Corporation 37/F Enterprise Tower 1, Ayala Avenue, Makati City	Filipino	CAT Resource & Asset Holdings Inc. (CRAHI) and various individuals	264,547,484	93.63
Common	Luisita Trust Fund; Central Azucarera de Tarlac, Inc., San Miguel, Tarlac City	Filipino	Luisita Trust Fund	46,359,920	16.41
**Beneficial ownership through PCD Nominee Corporation*					
Common	CAT Resource & Asset Holdings Inc. (CRAHI) 3/F First Lucky Place 2259 Pasong Tamo Extension, Makati City	Filipino	Martin Ignacio P. Lorenzo[3] 102,876,250 Fernando Ignacio C. Cojuangco[4] 98,841,890	201,718,140	71.40

Apart from the foregoing, there are no other persons holding more than 5% of the Company's outstanding capital stock.

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[3] Martin Ignacio P. Lorenzo is the Chairman and CEO of CRAHI
[4] Fernando Ignacio C. Cojuangco is the President and COO of CRAHI

(ii) Security Ownership of Management.

As of 30 November 2017 the shareholdings of the incumbent directors and officers are set forth below:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership		Citizenship	%
Common	Martin Ignacio P. Lorenzo	102,876,250 200	Indirect	Filipino	36.41%
Common	Fernando Ignacio C. Cojuangco	98,841,890 200	Indirect	Filipino	34.98%
Common	Marco P. Lorenzo	200	Indirect	Filipino	0.00%
Common	Vigor D. Mendoza II	200	Indirect	Filipino	0.00%
Common	Fernan Victor P. Lukban	200	Indirect	Filipino	0.00%
Common	Renato B. Padilla	10	Direct	Filipino	0.00%
Common	Benjamin I. Espiritu	10	Direct	Filipino	0.00%
Common	Cecile D. Macaalay	5,000	Indirect	Filipino	0.00%
Common	Wellerita D. Aguas	9,980 10,000	Direct Indirect	Filipino	0.01%
Common	Janette L. Peña	0	-	Filipino	0.00%
Common	Addison B. Castro	0	-	Filipino	0.00%

The aggregate ownership of all directors and officers is 201,744,740 shares or 71.40% of the total shares outstanding.

(iii) Voting Trust Holders of 5% or More.

The Company is not aware of any voting trust agreement with any stockholder owning more than 5% of the securities.

e) Changes in Control.

There has been no change in control of the Company since the beginning of its last fiscal year, and the Company is not aware of any existing, pending or potential transaction that may result in such change in control.

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Item 5. Directors and Executive Officers

As of 30 November 2017, the directors and executive officers of the Company and the number of years they have served as such are as follows:

Name	Position	Term/Period Served
Martin Ignacio P. Lorenzo	Chairman of the Board & CEO	October 15, 2014 up to present
Fernando Ignacio C. Cojuangco	President & COO	January 31, 2012 up to present
Marco P Lorenzo	Director	October 15, 2014 up to present
Vigor D. Mendoza II	Director	October 15, 2014 up to present
Fernan Victor P. Lukban	Director	October 15, 2014 up to present
Renato B. Padilla	Independent Director	October 15, 2010 up to present
Benjamin I. Espiritu	Independent Director	October 29, 2013 up to present
Cecile D. Macaalay	Treasurer	October 15, 2014 up to present
Wellerita D. Aguas	VP for Finance	October 15, 2014 up to present
Janette L. Peña	Corporate Secretary	October 15, 2014 up to present
Addison B. Castro	Asst. Corp. Secretary	October 15, 2014 up to present

All incumbent directors, namely: Messrs. Martin Ignacio P. Lorenzo, Fernando C. Cojuangco, Marco P. Lorenzo, Vigor D. Mendoza II, Fernan Victor P. Lukban, Renato B. Padilla and Benjamin I. Espiritu have been nominated for election to the Board of Directors in the forthcoming annual stockholders' meeting.

The selection and nomination of the independent directors by the Corporate Governance Committee (which performs the functions of the Nomination Committee) is in compliance with SRC Rule 38 (Requirements on Nomination and Election of Independent Directors), and the Company's new Manual of Corporate Governance for Publicly Listed Companies.

A summary of the qualifications of the incumbent directors who were nominated for election in the forthcoming annual stockholders' meeting, and the incumbent officers of the Company is set forth below:

Martin Ignacio P. Lorenzo, age 52, 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 56, 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 57, 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 56, 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.

Victor Fernan P. Lukban, age 56, Filipino, is a Director of the Company. He is also lead independent director of Century Pacific Food, Inc. and an independent director of Shakey's Pizza Asia Ventures, Inc. 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 71, 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 65, Filipino, is an Independent Director of the Company. He serves as the President, Chief Executive Officer and President of Risks, Opportunities Assessment and Management Inc. and Change Management International, Inc. Mr. Espiritu serves as the Chairman and Chief Executive Officer of Ormin Realty Corporation. He serves as the Chairman and President of Konstruktura Development Resources Corp. He serves as the Chairman of Banco de Mindoro, Inc. He also serves as the Chairman of the Board of Regents of Pamantasan ng Lungsod ng Maynila. He is currently the Chairman of the Board of Trustees of Ospital ng Maynila. 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 has been an Independent Director of Central Azucarera de Tarlac, Inc., since October 29, 2013 and Dizon Copper-Silver Mines Inc. since December 16, 2015. He serves as a Director of Intrastrata Assurance Corporation. He is a practicing Certified Public Accountant and Corporate Governance Practitioner. He holds 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 49, 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 Restaurant Concepts 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 72, 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 58, 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. He 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 P. Lorenzo and Mr. Marco P. Lorenzo are brothers.

Identification of Significant Personnel

Mr. Noel Payongayong, 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 were involved during the past five (5) 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. As of the years ended June 30, 2017 and June 30, 2016, the Company is not involved in any litigation it considers material.

Certain Relationships and Related Transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by or under common control with the Company, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Company. Associates and individuals owning directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company 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.

In the normal course of its business, the Company had transactions with related parties. Please see Note 27 (Related Party Transactions) of the Notes to Financial Statements as of June 30, 2017.

Resignation of Director

No director has resigned or declined to stand for re-election because of disagreement with the Company on any matter relating to the Company's operations, policies or practices.

Item 6. Compensation of Directors and Executive Officers

Summary Compensation Table

FY 2016-2017						
Name	**Position**	**Salary & Professional fees**	**Bonus**	**Transportation**	**Per Diem**	**Total**
July 1, 2016 - June 30, 2017						
Martin Ignacio P. Lorenzo	Chairman of the Board & CEO					
Fernando Ignacio C. Cojuangco	President & COO					
Marco P Lorenzo	Director	₱15,935,820	₱1,561,296	₱2,051,782	₱380,000	₱19,928,898
Wellerita D. Aguas	VP for Finance					
Marcelo P. Karaan II	VP for Human Resources					
All Other Officers & Directors as a group						
TOTAL		**₱15,935,820**	**₱1,561,296**	**₱2,051,782**	**₱380,000**	**₱19,928,898**

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**

Estimated Compensation to be paid in the ensuing fiscal year to the Company's Chief Executive Officer (Martin Ignacio P. Lorenzo) and four other highly compensated executives and officers (Fernando C. Cojuangco, Marco P. Lorenzo, Wellerita D. Aguas) is Php 21,482,651.46.

The Director's Compensation is in accordance with Section 4, Article III of the Company's 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, **subject to the requirements of the Corporation Code.** (*As amended by the Board of Directors on 11 March 2014 and the Stockholders on 22 April 2014; and further amended by the Board of Directors on 19 April 2016 and the Stockholders on 15 June 2016.*)"

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.

Except for the election of directors and the amendment of the name of the Corporation from "Central Azucarera de Tarlac" to "Central Azucarera de Tarlac, Inc." under the First Article of the Articles of Incorporation , no action is to be taken at the annual stockholders' meeting with regard to (a) any bonus, profit sharing or other compensation plan, contract or arrangement in which any director, nominee for election as a director or executive officer will participate; (c) any pension or retirement plan in which any such person will participate, or (d) the granting or extension to any such person of any option/s, warrant/s or right/s to purchase any securities.

Item 7. Independent Public Accountant

a) For the last 3 fiscal years, the accounting firm of Sycip Gorres Velayo & Co. (SGV) has been the independent public accountant of the Company. There have been no disagreements with SGV on any matter relating to accounting principles or practice, financial statement disclosure or auditing scope or procedure. The same accounting firm is being recommended for re-appointment as the external auditor of the Company.

b) Pursuant to SEC memorandum Circular No. 8, Series of 2003, said firm assigns different Engagement Partners to the Company. Ms. Maria Veronica Andresa R. Pore has been the engagement or signing partner since the last fiscal year.

c) Representatives of SGV are expected to be present during the annual stockholders' meeting. They will have the opportunity to make a statement if they so desire and are expected to be able to respond to appropriate questions from stockholders.

d) The summary of fees paid by the Company to SGV & Co. for the last two (2) fiscal years are as follows:

	FY 2016-2017	FY 2015-2016
Audit Fees and Other Related Services	1,120,000	1,220,000

Item 8. Compensation Plans

No action is to be taken at the annual stockholders' meeting with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. Authorization or Issuance of Securities Other than for Exchange

No action is to be taken at the annual stockholders' meeting with respect to the authorization or issuance of any securities otherwise than for exchange for outstanding securities of the Company.

Item 10. Modification or Exchange of Securities

No action is to be taken at the annual stockholders' meeting with respect to the modification of any class of securities of the Corporation, or the issuance or authorization of one class of securities of the Corporation in exchange for outstanding securities of another class.

Item 11. Financial and Other Information

The Company's audited financial statements and other financial information as of June 30, 2017 are attached as *Annex "A",* which are hereby incorporated by reference as required by Rule 68.

The Company's interim financial statements and other financial information as of September 30, 2017 and the Management's Discussion and Analysis of Financial Condition and Result of Operation for the same period, which are hereby incorporated by reference , are contained in the Company's Quarterly Report (SEC Form 17-Q) for the quarterly period ended September 30, 2017 (1st Quarter of Fiscal Year July 1, 2017 – June 30, 2018) a copy of which is attached as *Annex "B".*

There have been no disagreements with SGV, the Company's independent public accountant, on any matter relating to accounting principles or practice, financial statement disclosure or auditing scope or procedure.

Item 12. Mergers, Consolidation, Acquisitions and Similar Matters

No action will be taken at the annual stockholders' meeting with respect to any transaction involving merger, consolidation, acquisition or similar matters.

Item 13. Acquisition or Disposition of Property

No action will be taken at the annual stockholders' meeting with respect to the acquisition or disposition of any property.

Item 14. Restatement of Account

No action will be taken at the annual stockholders' meeting with respect to the restatement of any asset, capital or surplus account of the Company.

D. OTHER MATTERS

Item 15. Action with Respect to Reports to be Submitted for Approval

The Company will submit to the stockholders for approval the following:

a) Minutes of the Annual Meeting of Stockholders held on January 31, 2017;

b) Annual Report and the Audited Financial Statements for the Fiscal Year ending June 30, 2017;.

c) All Acts and Proceedings of the Board of Directors and Officers since the last Annual Meeting of the Stockholders;

d) Appointment of SGV as External Auditor.

Item 16. Matters Not Required to be Submitted

There is no action to be taken at the special stockholders' meeting with respect to any matter which is not required to be submitted to a vote of the stockholders.

Item 17. Amendment of Charter, By-laws or Other Documents

The Corporation was incorporated in 1926 with the name "Central Azucarera de Tarlac". However, in an amendment to the Articles of Incorporation (Amending Article VIII only) adopted by the Board of Directors on 19 December 1996, and by the shareholders on 28 January 1997, the Directors Certificate of Amendment and the attached Amended Articles of Incorporation reflected the name of the Corporation with an "Inc.", i.e.   "Central Azucarera de Tarlac, Inc.", but without a specific amendment to Article I. The Securities and Exchange Commission (SEC) approved the requested amendment to Article VIII on 20 June 1997, without noting the appearance of "Inc." in the corporate name.

When the Amended Articles of Incorporation were further amended in 2016 (changing the par value from P10.00 to P1.00 and increasing the number of directors from 8 to 9), the name "Central Azucarera de Tarlac, Inc." was used in the papers submitted to the SEC, and the SEC approved the amendments applied for, but without noting the use of the word "Inc."

Act 1459 of 1906 (The Corporation Law) under which the Corporation was established did not require the use of "Inc." or "Corp.". This law was replaced by The Corporation Code of the Philippines (BP 68) which required that all corporate names have an "Inc." or "Corp." at the end. SEC Rules have been issued requiring the same.

In order to avoid confusion on the exact name of the Corporation, and in order to comply with the current law and rules on corporate names, the Board of Directors, during its meeting held on 13 December 2017, unanimously resolved to amend the name of the Corporation from "Central Azucarera de Tarlac" to "Central Azucarera de Tarlac, Inc." and that the Article I of the Amended Articles of Incorporation be amended to read as follows: "That the name and title of the corporation shall be CENTRAL AZUCARERA DE TARLAC, INC.", and that the said amendment be submitted for approval of the shareholders owning at least 2/3 of the outstanding shares of the Corporation at the next Annual Meeting of Shareholders.

Item 18. Other Proposed Action

No action is to be taken at the special stockholders' meeting with respect to any matter not specifically referred to above.

Item 19. Voting Procedure

Every stockholder shall be entitled to vote, in person or by proxy, for each share of stock held by him. The voting shall be by viva voce or by ballot if requested by the stockholders.

In all items for approval except election of Members of the Board of Directors, 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 ballot, unless there is a motion duly made and seconded that the election be made viva voce.

Under Section 18 of the Corporation Code, any provision or matter stated in the articles of incorporation may be amended by a majority vote of the board of directors and the vote or written assent of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock.

Votes shall be counted under the direct control and supervision of the Corporate Secretary or the Assistant Corporate Secretary who may be assisted by the independent auditors and the Corporation's stock transfer agent.

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Management Report

Business and General Information

The Company's Business and General Information, a copy of which is attached as *Annex "C"*, provides for the brief description of the general nature and scope of the business of the Company, which is hereby incorporated by reference. The same can be found in the Company's Annual Report (SEC Form 17-A) for the fiscal year ended June 30, 2017.

Management's Discussion and Analysis with Plan of Operation

Management's Discussion and Analysis of Financial Condition and Result of Operation for the same period, which are hereby incorporated by reference, is contained in the Company's Quarterly Report (SEC Form 17-Q) for the quarterly period ended September 30, 2017 (1st Quarter of Fiscal Year July 1, 2017 – June 30, 2018) a copy of which is attached as *Annex "B".*

Market Information

CAT shares are listed and traded in The Philippine Stock Exchange, Inc. The high and low share prices for each quarter during the last two (2) fiscal years are as follows:

Market Information				
Fiscal Year	**Quarter**	**Period**	**High**	**Low**
2015-2016	1Q	July – September	109.9	71.5
	2Q	October - December	100.00	83.20
	3Q	January – March	240.00	95.00
	4Q	April – June	240.00	120.00
2016-2017	1Q	July – September	220.00	170.00
	2Q	01 October – 24 October	210.00	164.90
	On 25 October 2016, CAT's change in par value from Ten Pesos (Php 10.00) to One Peso (Php 1.00) per share took effect. As a consequence thereof, the corresponding number of shares were multiplied by ten.			
	2Q	25 October to 31 December	46.00	19.00
	3Q	January – March	22.00	14.00
	4Q	April – June	15.14	14.06
2017-2018	1Q	July – September	29.70	14.00
	2Q	October – 26 December	23.00	17.08

On December 22, 2017, CAT shares were traded at its highest for the price of Php 20.95, lowest for Php 19.60 and closed at Php 19.78.

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. On 03 May 2017, the Company adopted its new Manual on Corporate Governance for Public Listed Companies in accordance with SEC Memorandum Circular No. 19, Series of 2016, which was submitted to the SEC on May 31, 2017. The Board Charter as well as the Charter of the Corporate Governance Committee (which performs the functions of the Nominations and Compensation Committee) and amended Charter of the Audit Committee (which performs the functions of the Board Risk Oversight and Related Party Transactions Committee) was also approved by the Board on May 3, 2017.

Undertaking

The Company through it's Assistant Corporate Secretary, Addison B. Castro, with office address at 3/F First Lucky Place, 2259 Pasong Tamo Extension, Makati City undertakes to provide without charge upon written request of a security holder or his representative a copy of the Annual Report accomplished in SEC Form 17-A. At the discretion of management, a charge may be made for exhibits provided such charge is limited to reasonable expenses incurred by the Company in furnishing such exhibit.

Likewise, a copy of the Company's quarterly interim unaudited report, for the first quarter of fiscal year 2017-2018, inclusive of the management discussion and analysis, will be provided to the shareholders at the annual stockholders meeting.

SIGNATURE

After a reasonable inquiry and to the best of my knowledge and belief. I certify that the information set forth in this report is true, complete and correct. This report is signed in Makati City on this 27th day of December 2017.

CENTRAL AZUCARERA DE TARLAC

By:

ADDISON B. CASTRO
Assistant Corporate Secretary
and Compliance Officer

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)
400	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.

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, 2017 and 2016. 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. COJUANGCO
President and COO

WELLERITA D. AGUAS
VP-Finance

SUBSCRIBED AND SWORN to before me this day of OCT 12 2017 2017 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	Mar. 14, 2022
Wellerita D. Aguas	EC 7357953	Apr. 9, 2021

Doc. No. 491
Page No. 100
Book No. I
Series of 2017

JEROME T. AZARCON
NOTARY PUBLIC
Appointment No. M-247 / Until Dec. 31, 2018
4th Floor Jose Cojuangco & Sons Bldg.,
119 Dela Rosa corner Palanca Sts., Legaspi Vill. Makati
PTR No. 5919494/ 01.11.2017/Makati City
IBP No. 1060383/ 01.09.2017/Makati
Roll No. 58144

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

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

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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Central Azucarera de Tarlac

Opinion

We have audited the consolidated financial statements of Central Azucarera de Tarlac and its subsidiary (the Group), which comprise the consolidated balance sheets as at June 30, 2017 and 2016, 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, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated balance sheets of the Group as at June 30, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended June 30, 2017 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Valuation of Land

The Group carries land in its consolidated balance sheet as property, plant and equipment and investment property using the revaluation and fair value model, respectively. These land represent 34.65% of the total consolidated assets of the Group as at June 30, 2017. The determination of the revalued amount and fair value of these land involve significant management judgments and estimations. The valuation also requires the assistance of external appraisers whose calculations also depend on certain assumptions, such as sales and listing of comparable properties registered within the vicinity and adjustments to sales price based on internal and external factors. Thus, we considered the valuation of these land as a key audit matter.

The disclosures relating to these land are included in Note 16 of the consolidated financial statements.

Audit response
We obtained an understanding of the Group's valuation process and the related controls. We evaluated the competence, capabilities and qualifications of the external appraiser by considering their qualifications, experience and reporting responsibilities. We involved our internal specialist in the review of the methodology and assumptions used in the valuation of these land. We assessed the methodology adopted by referencing common valuation models and reviewed the relevant information supporting the sales and listings of comparable properties. We also inquired from the external appraiser the basis of adjustments made to the sales price.

Goodwill Impairment Assessment

Under Philippine Financial Reporting Standards, the Group is required to annually test the amount of goodwill for impairment. As at June 30, 2017, the Group's goodwill attributable to its investment in Luisita Land Corporation amounted to ₱702.1 million, which is considered significant to the consolidated financial statements. In addition, management's assessment process requires significant judgment and is based on assumptions, specifically revenue growth rate, gross profit, operating margin, capital expenditures, discount rate and the long-term growth rate.

The Group's disclosures about goodwill are included in Note 13 to the consolidated financial statements.

Audit response
We obtained an understanding of the Group's impairment testing process and the related controls. We involved our internal specialist in evaluating the methodologies and the assumptions used. These assumptions include revenue growth rate, gross profit, operating margin, capital expenditures, discount rate and the long-term growth rate. We compared the key assumptions used, such as revenue growth rate against the historical performance of the CGU and other relevant external data. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of goodwill.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended June 30, 2017, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended June 30, 2017 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Maria Veronica Andresa R. Pore.

SYCIP GORRES VELAYO & CO.

Maria Veronica Andresa R. Pore
Partner
CPA Certificate No. 90349
SEC Accreditation No. 0662-AR-3 (Group A),
March 2, 2017, valid until March 1, 2020
Tax Identification No. 164-533-282
BIR Accreditation No. 08-001998-71-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 5908745, January 3, 2017, Makati City

September 18, 2017

OCT 19 2017

CENTRAL AZUCARERA DE TARLAC AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

	June 30	
	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents (Note 7)	**₱238,194,857**	₱93,948,771
Receivables (Note 8)	**762,821,158**	659,429,276
Inventories (Note 9)	**393,121,739**	154,755,136
Real estate held for sale and development (Note 10)	**988,398,335**	987,962,514
Other current assets (Note 12)	**152,789,598**	117,003,714
Total Current Assets	**2,535,325,687**	2,013,099,411
Noncurrent Assets		
Available-for-sale (AFS) financial assets (Note 14)	**172,489,748**	104,066,900
Property, plant and equipment:		
Land - at revalued amount (Note 16)	**874,000,000**	716,600,000
Property, plant and equipment - at cost (Note 15)	**503,415,721**	429,143,238
Investment property (Note 16)	**1,486,400,000**	1,357,400,000
Retirement asset - net (Note 26)	**339,372,984**	706,471,536
Goodwill (Note 13)	**702,146,249**	702,146,249
Other noncurrent assets (Note 17)	**198,791,158**	199,004,448
Total Noncurrent Assets	**4,276,615,860**	4,214,832,371
TOTAL ASSETS	**₱6,811,941,547**	₱6,227,931,782
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 18)	**₱486,793,188**	₱413,850,059
Short-term notes payable (Note 19)	**772,919,122**	377,589,824
Current portion of long-term notes payable (Note 19)	**14,420,921**	14,694,471
Deposits	**6,951,707**	6,596,212
Income tax payable	–	10,463,312
Total Current Liabilities	**1,281,084,938**	823,193,878
Noncurrent Liabilities		
Long-term notes payable - net of current portion (Note 19)	**2,028,086,673**	2,042,507,595
Deferred income tax liabilities - net (Note 28)	**426,506,175**	480,765,975
Total Noncurrent Liabilities	**2,454,592,848**	2,523,273,570
Total Liabilities	**3,735,677,786**	3,346,467,448
Equity		
Capital stock (Note 30)	**282,545,960**	282,545,960
Retained earnings:		
Appropriated (Note 30)	**200,000,000**	–
Unappropriated	**280,932,349**	193,840,135
Revaluation increment (Note 16)	**1,946,793,293**	1,836,613,293
Remeasurement gains on defined benefit liability - net (Note 26)	**226,929,466**	490,982,816
Unrealized cumulative gains on AFS financial assets (Note 14)	**139,069,893**	77,489,330
	3,076,270,961	2,881,471,534
Cost of 7,200 shares of stock held in treasury (Note 30)	**(7,200)**	(7,200)
Total Equity	**3,076,263,761**	2,881,464,334
TOTAL LIABILITIES AND EQUITY	**₱6,811,941,547**	₱6,227,931,782

See accompanying Notes to Consolidated Financial Statements.

CENTRAL AZUCARERA DE TARLAC AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended June 30		
	2017	2016	2015
REVENUES			
Sale of sugar and by-products	**₱1,007,242,395**	₱955,769,538	₱761,534,665
Tolling fees	**258,324,021**	224,035,212	231,394,319
Industrial services	**39,229,718**	33,279,618	25,565,781
Real estate sale	–	954,000	5,408,040
	1,304,796,134	1,214,038,368	1,023,902,805
COST OF GOODS SOLD AND SERVICES			
Cost of goods sold (Note 20)	**692,271,038**	630,028,400	477,478,489
Cost of tolling services (Note 21)	**102,437,775**	102,892,861	112,695,745
Cost of industrial services (Note 22)	**21,946,099**	18,066,725	12,166,485
Cost of real estate sale	–	84,367	97,001
	816,654,912	751,072,353	602,437,720
GROSS INCOME	**488,141,222**	462,966,015	421,465,085
GAIN ON FAIR VALUE CHANGE OF INVESTMENT PROPERTY (Note 16)	**129,000,000**	–	–
INTEREST INCOME (Notes 7, 8 and 27)	**27,084,864**	1,225,821	4,232,088
OPERATING EXPENSES (Note 23)	**(158,921,963)**	(110,101,239)	(129,219,884)
INTEREST EXPENSE (Note 19)	**(138,087,288)**	(123,688,110)	(95,181,025)
GAIN ON SALE OF SHARES (Note 11)	–	25,622,574	–
OTHER INCOME - net (Note 25)	**34,780,115**	12,487,343	19,134,242
INCOME BEFORE INCOME TAX	**381,996,950**	268,512,404	220,430,506
PROVISION FOR INCOME TAX (Note 28)			
Current	**89,362,933**	89,131,599	79,470,457
Deferred	**5,541,803**	2,730,674	(3,250,410)
	94,904,736	91,862,273	76,220,047
NET INCOME	**₱287,092,214**	₱176,650,131	₱144,210,459
Basic/diluted earnings per share (Note 30)	**₱1.02**	₱0.63	₱0.51

See accompanying Notes to Consolidated Financial Statements.

CENTRAL AZUCARERA DE TARLAC AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended June 30		
	2017	2016	2015
NET INCOME	**₱287,092,214**	₱176,650,131	₱144,210,459
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that may be reclassified to profit or loss - net of income tax effect: :			
Unrealized gains on available-for-sale financial assets (Note 14)	**61,580,563**	549,340	16,980,873
Items that will not be reclassified to profit or loss - net of income tax effect :			
Remeasurement gain (losses) on retirement asset (Note 26)	**(264,053,350)**	373,649,575	(11,447,274)
Revaluation increment on land (Note 16)	**110,180,000**	21,630,000	495,244,614
	(153,873,350)	395,279,575	483,797,340
OTHER COMPREHENSIVE INCOME (LOSS)	**(92,292,787)**	395,828,915	500,778,213
TOTAL COMPREHENSIVE INCOME	**₱194,799,427**	₱572,479,046	₱644,988,672

See accompanying Notes to Consolidated Financial Statements.

CENTRAL AZUCARERA DE TARLAC AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED JUNE 30, 2017

		Retained Earnings						
	Capital Stock (Note 30)	Unappropriated (Note 30)	Appropriated	Revaluation Increment (Note 16)	Remeasurement Gains on Retirement Asset (Note 26)	Unrealized Cumulative Gains on Available-for-Sale Financial Assets (Note 14)	Cost of Treasury Stock (Note 30)	Total Equity
Balances 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 (loss)	–	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
Balances 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	–	176,650,131	–	21,630,000	373,649,575	549,340	–	572,479,046
Balances 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
Total comprehensive income (loss)	–	287,092,214	–	110,180,000	(264,053,350)	61,580,563	–	194,799,427
Appropriation (Note 30)		(200,000,000)	200,000,000					
Balances at June 30, 2017	₱282,545,960	₱280,932,349	₱200,000,000	₱1,946,793,293	₱226,929,466	₱139,069,893	(₱7,200)	₱3,076,263,761

See accompanying Notes to Consolidated Financial Statements.

CENTRAL AZUCARERA DE TARLAC AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended June 30		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱381,996,950**	₱268,512,404	₱220,430,506
Adjustments for:			
Interest expense (Note 19)	**138,087,288**	123,688,110	95,181,025
Depreciation and amortization (Note 15)	**98,826,102**	55,616,011	55,068,140
Provision for doubtful accounts (Note 8)	**401,755**	1,481,986	919,498
Provision for losses (Notes 9 and 12)losses	**87,447**	6,384,758	–
Gain on fair value change of investment property (Note 16)	**(129,000,000)**	–	–
Interest income (Notes 7, and 8 and 27)	**(27,084,864)**	(1,225,821)	(4,232,088)
Net retirement expense (income) (Note 26)	**(10,818,686)**	(5,277,537)	18,445,894
Gain on disposal of property, plant and equipment	**(23,601)**	(25,622,574)	–
Loss on cancellation of contracts	–	4,629,890	–
Reversal of inventory obsolescence (Note 25)	–	(2,426,801)	–
Loss on write-off of property, plant and equipment	–	–	80,171
Operating income before working capital changes	**452,472,391**	425,760,426	385,424,766
Decrease (increase) in:			
Receivables	**(628,500)**	101,939,698	90,004,372
Inventories	**(238,454,050)**	(9,959,527)	(12,635,930)
Real estate held for sale and development	**(435,821)**	–	–
Other current assets	**(46,912,750)**	(71,722,867)	(25,971,027)
Increase (decrease) in:			
Trade and other payables	**63,735,153**	27,273,606	(49,169,305)
Deposits	**355,495**	803,159	(1,978,079)
Net cash generated from operations	**230,131,918**	474,094,495	385,674,797
Retirement benefits paid (Note 26)	–	(12,932,746)	(468,380)
Income tax paid	**(87,416,031)**	(99,087,531)	(49,710,391)
Net cash provided by operating activities	**142,715,887**	362,074,218	335,964,406
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments to related parties	**(66,579,435)**	(300,924,440)	(612,040,432)
Decrease (increase) in other noncurrent assets	**213,290**	(179,186,868)	705,854
Additions to property, plant and equipment	**(173,134,942)**	(110,745,075)	(95,959,464)
Interest received	**608,970**	845,286	3,943,432
Acquisition of a subsidiary - net of cash acquired	–	–	(1,227,403,993)
Net cash used in investing activities	**(238,892,117)**	(590,011,097)	(1,930,754,603)
CASH FLOWS FROM FINANCING ACTIVITIES			
Availment of notes payable	**470,000,000**	250,000,000	2,326,964,585
Payments of:			
Interest (Note 19)	**(132,146,556)**	(118,035,816)	(83,340,551)
Notes payable	**(97,431,128)**	(62,918,234)	(506,343,477)
Other non-current liabilities	–	–	(35,368,649)
Net cash provided by financing activities	**240,422,315**	69,045,950	1,701,911,908
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**144,246,086**	(158,890,929)	107,121,711
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**93,948,771**	252,839,700	145,717,989
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**₱238,194,857**	₱93,948,771	₱252,839,700

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information, 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.

As at June 30, 2017, 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.

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 at 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 at September 30, 2014. As such, the Parent Company's financial guarantee pertaining to the obligation of JCSI is extinguished as at that date.

Authorization for the Issue of the Consolidated Financial Statements
The accompanying consolidated financial statements as at and for the three years in the period ended June 30, 2017 were authorized for issue in accordance with a resolution by the Board of Directors (BOD) on September 18, 2017.

2. Basis of Preparation, Statement of Compliance and Basis of Consolidation

Basis of Preparation
The consolidated financial statements have been prepared using 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 (PFRSs).

Basis of Consolidation
The consolidated financial statements include the financial results of the Parent Company 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 consolidated 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 statements of income. Any investment retained is recognized at fair value.

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

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 PFRSs, Philippine Accounting Standards (PAS) and Philippine Interpretations from IFRIC which are effective for annual periods beginning July 1, 2016.

PFRS 10 (Amendments), *Consolidated Financial Statements*, PFRS 12 (Amendments), *Disclosure of Interests in Other Entities*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception*

These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value. They also clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture) to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries when applying the equity method.

These amendments are not applicable to the Group since it is not a subsidiary of an investment entity.

PFRS 11 (Amendments), *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*

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

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

The amendments do not have impact on the Group as there has been no interest acquired on a joint operation during the year.

PFRS 14, *Regulatory Deferral Accounts*
PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRSs. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the balance sheet and present movements in these account balances as separate line items in the statement of comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements.

These amendments do not have any impact to the Group as it does not have any activities subject to rate-regulation.

PAS 1 (Amendments), *Presentation of Financial Statements - Disclosure Initiative*
The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRSs. The amendments clarify:

- That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions
- That specific line items in the statement of income and other comprehensive income and the balance sheet may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to statement of income.

These amendments do not have any impact to the Group as the disclosures in the consolidated financial statements are already in compliance with the requirement.

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

These amendments are applied prospectively and do not have any impact to the Group given that the Group have not used a revenue based method to depreciate or amortize its property and equipment.

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

The amendments do not apply since the Group do not have any bearer plants.

PAS 27 (Amendments), *Separate Financial Statements - Equity Method in Separate Financial Statements*
The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.

This amendment is applicable to the Parent Company's separate financial statements.

Annual Improvements to PFRSs (2012 - 2014 Cycle)
PFRS 5 (Amendment), *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
Asset (or disposal groups) are generally disposed of either through sale distribution to owners. The amendment is applied prospectively and clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5.

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

PFRS 7 (Amendment) - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
This amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report.

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

PAS 34 (Amendment), *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*
The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time.

These improvements to PFRSs did not have any significant impact on the consolidated financial statements.

<u>New Accounting Standards, Interpretation and Amendments to Existing Standards Effective Subsequent to June 30, 2017</u>
Standards and interpretation 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 and interpretation when they become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards, improvements to PFRSs and new interpretation to have significant impact on the consolidated financial statements.

Effective for Fiscal Year 2018
PAS 7 (Amendments), *Statement of Cash Flows - Disclosure Initiative*
The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

PAS 12 (Amendments), *Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses*
The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted.

Annual Improvements to PFRSs [2014 - 2016 Cycle; Adopted by Financial Reporting Standards Council (FRSC)]
PFRS 12 (Amendment) - *Clarification of the Scope of the Standard*
The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

Effective for Fiscal Year 2019 (Adopted by FRSC)
PFRS 2 (Amendments), *Share-based Payment - Classification and Measurement of Share-based Payment Transactions*
The amendments address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

PFRS 4 (Amendments), *Insurance Contracts - Applying PFRS 9, Financial Instruments, with PFRS 4*
The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in the statement of comprehensive income, rather than in the statement of income, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

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

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRS. Entities can choose to apply the standard using either a full retrospective approach, with some limited relief provided, or a modified retrospective approach.

The Group is currently assessing the impact of adopting this new standard on its financial statements.

PFRS 15 (Amendments) - *Clarifications to PFRS 15*
The amendments address three of the five topics identified (identifying performance obligations, principal versus agent considerations, and licensing) and provide some transition relief for modified contracts and completed contracts. It was concluded that it was not necessary to amend PFRS 15 with respect to collectability or measuring non-cash consideration. The Group is currently assessing the impact of adopting this amendment on its financial statements.

PFRS 9, *Financial Instruments*
In July 2014, the final version of PFRS 9 was issued. PFRS 9 replaces PAS 39 and all previous versions of PFRS 9. PFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

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

PAS 40 (Amendments), *Investment Property - Transfers of Investment Property*
The amendments stated that an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

Philippine Interpretation from IFRIC 22, *Foreign Currency Transactions and Advance Consideration*
The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Annual Improvements to PFRSs (2014 - 2016 Cycle; Adopted by FRSC)
Amendments to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Deletion of Short-term Exemptions for First-time Adopters*
The amendments deleted the short-term exemptions in paragraphs E3-E7 of PFRS 1 as the reliefs provided under these paragraphs had been available to entities only for reporting periods that had passed.

PAS 28 (Amendments) - *Measuring an Associate or Joint Venture at Fair Value*
The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at FVPL. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

Effective for Fiscal Year 2020
PFRS 16, *Leases*
Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in the statement of income. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value. Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

The Group is currently assessing the impact of adopting this new standard on the consolidated financial statements.

Deferred Effectivity
PFRS 10 (Amendments) and PAS 28 (Amendments) - *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in PFRS 3, between an investor and its associate or joint venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the FRSC postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

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 consolidated balance sheet based on current or noncurrent classification.

An asset is current when it is expected to be realized or intended to be sold or consumed in the normal operating cycle 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 reporting 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 reporting 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.

The Group measures fair value on its land, recognized as property, plant and equipment and investment property and AFS financial assets.

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 and AFS financial assets. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value, except for financial assets at FVPL, plus 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 Group commits to purchase or sell the asset.

The Group's financial assets include loans and receivables and AFS financial assets. The Group has no financial assets classified at FVPL, HTM investments and derivatives designated as hedging instruments in an effective hedge as at June 30, 2017 and 2016.

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.

This accounting policy relates to the Group's "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 as financial assets 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.

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.

Impairment of Financial Assets

The Group assesses at each reporting 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 consolidated statement of 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.

Derecognition of Financial Assets

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

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through 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.

Financial Liabilities
Initial Recognition and Measurement. Financial liabilities within the scope of PAS 39 are classified as financial liabilities at FVPL and other liabilities at amortized costs. 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, 2017 and 2016, 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 financial liabilities 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) and due to related parties.

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 consolidated 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 consolidated 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.

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 acquisition cost of land, expenditures for development and improvements of the property and borrowing costs, if any.

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 annually 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. Revaluation increase, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in the consolidated statement of income, is recognized in the consolidated statement of comprehensive income. A revaluation decrease is recognized in the consolidated statement of comprehensive income, except to the extent that it reverses a revaluation increase of the same asset previously recognized in the consolidated statement comprehensive income is recognized in the consolidated statement of income.

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 the consolidated statement of income.

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, if any. 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 consolidated 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:

Category	Number of years
Machinery and equipment	5-10 years
Agricultural machinery and equipment	5-7 years
Land improvements	5-15 years
Buildings and improvements	5-15 years
Transportation equipment	5 years
Furniture, fixtures and equipment	5 years
Communication and utility systems	5 years
Roads and bridges	10 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 consolidated statement of income in the year the item is derecognized.

Fully depreciated and amortized 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. Gain or loss arising from changes in the fair values of investment properties is included in the consolidated statement of income in the period in which they arise, including the corresponding tax effect, if any. Fair values are determined based on an annual evaluation performed by an accredited external appraiser applying a valuation model approved 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. In the case of an owner-occupied property becoming an investment property, previously recognized revaluation surplus is retained until such time that the property is disposed. On subsequent disposal, the revaluation surplus may be transferred to retained earnings; note that this transfer is not made through the statement of income.

Impairment of Nonfinancial Assets

Property, Plant and Equipment

The Group assesses at each reporting date whether there is an indication that property, plant and equipment 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 consolidated statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting 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 consolidated 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.

Goodwill

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. The Group assesses whether there are any indicators that goodwill is impaired at each reporting date.

Impairment is determined for goodwill by assessing the recoverable amount of the CGUs, to which the goodwill relates. Where the recoverable amount of the CGUs is less than their carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs impairment test of goodwill annually (as at June 30) or when an impairment indicator exists.

Customers' Advances

Customers' advances are recognized in "Trade and other payables" 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.

Retained Earnings

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

Revaluation increment consists of the revaluation adjustment made on its property, plant and equipment being carried at revalued amount, net of tax.

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 consolidated 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 Sugar. Sale of sugar is recognized upon endorsement and transfer of quedans and/or issuance of a sugar release order in the name of the customer which represents ownership title over the 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 consolidated statement of income under "Sale of sugar and by products" line item.

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

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

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.

<u>Expenses</u>
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 Industrial Services. Costs that are directly related to water and wastewater treatment services and are recognized when incurred.

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.

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.

<u>Income Taxes</u>
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 reporting date.

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

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences and carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax and net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and tax losses can be utilized except:

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

The carrying amount of deferred income tax assets is reviewed at each reporting 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 income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that sufficient future taxable profits will allow the deferred income tax asset to be recovered.

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

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

Deferred income tax assets and liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and deferred income 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 the statement of income 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. In this case, 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 consolidated 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 consolidated 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.

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 consolidated financial statements. These are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated 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 reporting date (adjusting events), are reflected in the consolidated financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. Summary of Significant Accounting Judgments, Estimates and Assumptions

The consolidated financial statements prepared under PFRSs require management to make judgments, estimates and assumptions, that affect the amounts reported in the consolidated 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 consolidated 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. The following items are those matters which the Group assess to have significant risks arising from judgements and estimation uncertainties.

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 consolidated financial statements:

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 based on the following:

Real estate held for sale includes land developed into a first class residential subdivision and an industrial community. Real estate held for development pertains to land that is 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.

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 consolidated financial statements.

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

Allowance for Doubtful Accounts. Allowance for doubtful accounts is determined through the specific identification. 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 2017, 2016 and 2015 amounted to ₱0.4 million, ₱1.5 million and ₱0.9 million, respectively. The allowance for doubtful accounts on receivable amounted to ₱9.1 million and ₱9.0 million as at June 30, 2017 and 2016, respectively. The carrying amounts of receivables as at June 30, 2017 and 2016 amounted to ₱763.0 million and ₱659.4 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.

Provision for inventory obsolescence amounting to ₱0.1 million in 2017 and nil in 2016 and 2015 was recognized. Reversal of inventory obsolescence amounted to ₱2.4 million in 2016 and nil in 2017 and 2015. The carrying amounts of inventories as at June 30, 2017 and 2016 amounted to ₱393.1 million and ₱154.8 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 2017, 2016 and 2015. The carrying amounts of AFS financial assets as at June 30, 2017 and June 30, 2016 amounted to ₱172.5 million and ₱104.1 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 2017 and 2016. The carrying amounts of real estate inventories as at June 30, 2017 and 2016 amounted to ₱988.4 million and ₱988.0 million, respectively (see Note 10).

Revalued Amount of Land under Property, Plant and Equipment and Fair Value of Investment Property. The Group has property, plant and equipment and investment property carried at revalued amount and fair value, respectively. These consist of land which is being valued by reference to market using comparable prices adjusted for specific market factors such as location and condition of the property. The Group engaged an external appraiser to determine revalued amount and fair value as at June 30, 2017 and 2016.

The significant methods and assumptions used by the appraiser in estimating fair values of land are discussed in Note 16. The revalued amount of land under property, plant and equipment as at June 30, 2017 and 2016 amounted to ₱874.0 million and ₱716.6 million, respectively (see Note 16). The fair value of land under investment property amounted to ₱1.5 billion and ₱1.4 billion in June 30, 2017 and 2016, respectively (see Note 16).

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

There were no changes in the estimated useful lives of property, plant and equipment in 2017, 2016 and 2015. The carrying values of property, plant and equipment carried at cost as at June 30, 2017 and 2016 amounted to ₱503.4 million and ₱429.1 million, respectively (see Note 15).

Impairment of Nonfinancial Asset. The Group assesses whether there are any indicators of impairment for property plant and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset 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.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make judgments and estimates that can materially affect the consolidated financial statements.

There were no provision for impairment losses recognized in 2017, 2016 and 2015. The fair values of land under property plant and equipment as at June 30, 2017 and 2016 amounted to ₱874.0 million and ₱716.6 million, respectively (see Note 16). The carrying amounts of property, plant and equipment carried at cost as at June 30, 2017 and 2016 amounted to ₱503.4 million and

₱429.1 million, respectively (see Note 15). The carrying amounts of other noncurrent assets as at June 30, 2017 and 2016 amounted to ₱198.8 million and ₱199.0 million, respectively (see Note 17).

Estimating Impairment of Goodwill
The Group performs impairment review on goodwill annually, or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. This requires an estimation of the value in use of the CGU to which goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGU and to make use of a suitable discount rate to calculate the present value of those future cash flows.

Goodwill recognized as at June 30, 2017 and 2016 amounted to ₱702.1 million (see Note 13).

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

The Parent Company's deferred income tax assets arising from temporary differences as at June 30, 2017 and 2016 amounted to ₱26.1 million and ₱31.6 million, respectively (see Note 28). Unrecognized deferred income tax assets arising from temporary differences, NOLCO and MCIT of the Subsidiary amounted to ₱169.0 million and ₱112.2 million as at June 30, 2017 and 2016, respectively (see Note 28).

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 26.

Retirement income recognized in 2017 and 2016 amounted to ₱10.1 million and ₱5.4 million, respectively. Retirement expenses recognized in 2015 amounted to ₱18.3 million, respectively (see Note 26). The carrying amounts of the Group's net retirement asset as at June 30, 2017 and 2016 amounted to ₱339.4 million and ₱706.5 million, respectively (see Note 26).

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 the 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.

2017

	Sugar and by products	**Real estate**	**Eliminations**	**Total**
Revenues	**₱1,265,566,416**	**₱39,229,718**	**₱–**	**₱1,304,796,134**
Cost of goods sold and services	**794,708,813**	**21,946,099**	**–**	**816,654,912**
Gross income	**470,857,603**	**17,283,619**	**–**	**488,141,222**
Gain on fair value change of investment property	**129,000,000**	**–**	**–**	**129,000,000**
Interest income	**89,007,406**	**171,110**	**(62,093,652)**	**27,084,864**
Operating expenses	**(143,019,023)**	**(15,902,940)**	**–**	**(158,921,963)**
Interest expense	**(137,168,737)**	**(63,012,203)**	**62,093,652**	**(138,087,288)**
Other income - net	**34,523,339**	**256,776**	**–**	**34,780,115**
Segment income before income tax	**₱443,200,588**	**(₱61,203,638)**	**₱–**	**₱381,996,950**
Segment assets	**₱6,816,226,292**	**₱836,914,863**	**(₱841,199,608)**	**₱6,811,932,417**
Segment liabilities	**₱3,616,456,649**	**₱1,705,492,105**	**(₱1,593,113,253)**	**₱3,728,835,501**

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	732,921,261	18,151,092	–	751,072,353
Gross income	446,883,489	16,082,526	–	462,966,015
Interest income	57,375,021	302,990	(56,452,190)	1,225,821
Interest expense	(121,613,901)	(58,526,399)	56,452,190	(123,688,110)
Operating expenses	(99,626,415)	(10,504,624)	–	(110,131,039)
Other income - net	22,387,662	15,752,055	–	38,139,717
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

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
Interest income	30,064,779	189,584	(26,022,275)	4,232,088
Operating expenses	(121,412,663)	(7,807,221)		(129,219,884)
Interest expense	(90,047,683)	(31,155,617)	26,022,275	(95,181,025)
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

	2017	2016
Cash on hand	**₱1,117,162**	₱792,107
Cash in banks	**236,932,848**	88,004,131
Cash equivalents	**144,847**	5,152,533
	₱238,194,857	₱93,948,771

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

During the years, 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 2017 and 2016 and ₱1.1 million in 2015, respectively.

8. Receivables

	2017	2016
Trade:		
Non-affiliates	**₱145,366,118**	₱153,871,675
Nontrade:		
Due from related parties (see Note 27)	**515,507,577**	413,735,928
Planters' receivables	**5,678,150**	5,074,105
Advances to directors, officers and employees (see Note 27)	**7,688,385**	11,020,750

(Forward)

	2017	2016
Advances to Tarlac Development Corporation (TDC)	**₱30,436,879**	₱30,300,639
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)	**13,006,959**	12,906,959
Others	**24,217,566**	11,450,411
	771,924,934	668,383,767
Less allowance for doubtful accounts	**9,103,776**	8,954,491
	₱762,821,158	₱659,429,276

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

Planters' receivables are subject to interest at 12% per annum in 2017, 2016 and 2015. Interest income earned from planters' receivables amounted to ₱0.3 million, ₱0.4 million, and ₱3.1 million in 2017, 2016 and 2015, respectively.

Receivables from officers and employees arise from cash advances to the Group's personnel which 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, non-interest bearing and due within one year.

Movements in the allowance for doubtful accounts are summarized below:

2017

	Trade	Nontrade	Total
Balances at beginning of year	**₱4,189,053**	**₱4,765,438**	**₱8,954,491**
Provisions	**40,671**	**361,084**	**401,755**
Write-off	**(252,470)**	**–**	**(252,470)**
Balances at end of year	**₱3,977,254**	**₱5,126,522**	**₱9,103,776**

2016

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

9. Inventories

	2017	2016
At cost:		
Alcohol	**₱154,156,869**	₱77,034,657
Raw sugar	**87,193,238**	2,167,421
Molasses	**95,086,980**	23,304,879
At NRV:		
Spare parts and supplies	**56,684,652**	52,248,179
	₱393,121,739	₱154,755,136

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

	2017	2016
Balances at beginning of year	**₱4,770,406**	₱7,197,207
Provision (see Note 23)	**87,447**	–
Reversal (see Note 25)	–	(2,426,801)
Balances at end of year	**₱4,857,853**	₱4,770,406

10. Real Estate Held for Sale and Development

	2017	2016
Land held for development	**₱981,516,357**	₱981,080,536
Land available for sale	**6,881,978**	6,881,978
	₱988,398,335	₱987,962,514

Land held for development pertains to land that are still undeveloped.

Land available for sale includes land developed into a first class residential subdivision and industrial community located at LHDL, San Miguel, Tarlac.

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 Liberty Insurance Corporation (LIC). 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.

In 2016, 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 amounted to ₱25.6 million.

12. Other Current Assets

	2017	2016
Advances to suppliers - net of allowance of ₱6.4 million in 2017 and 2016	**₱123,000,916**	₱92,200,438
CWTs	**18,101,686**	17,746,023
Prepaid tax	**8,538,329**	2,857,181
Prepaid insurance	**1,850,853**	2,122,691
Input VAT	–	127,522
Others	**1,297,814**	1,949,859
	₱152,789,598	₱117,003,714

Advances to suppliers include payments made to suppliers for goods to be received in the future. As at June 30, 2017 and 2016, allowance account amounted to ₱6.4 million (see Note 23).

13. **Goodwill**

As at June 30, 2017 and 2016, the recoverable amount, calculated through value in use, of the CGU where the goodwill is attributed exceeded the carrying amount of the CGU including goodwill. CGU pertains to the Parent Company's investment in LLC. Value in use was derived using cash flow projections based on financial budgets approved by senior management covering a five-year period and the expected realization of the Group's land inventory. Cash flow beyond the five-year period are extrapolated using a 5.00% growth rate. Discount rate applied to the cash flow projections in determining value in use is 10.18% and 4.74% in 2017 and 2016, respectively.

The calculations of value in use of goodwill are most sensitive to the following assumptions:

a) Discount rates - Discount rates were derived from the Group's weighted average cost of capital and reflect management's estimate of risks within the CGU. This is the benchmark used by the management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates, regard has been given to various market information, including, but not limited to, ten-year government bond yield, bank lending rates and market risk premium and country risk premium.

b) Growth rate estimates - The long-term rate used to extrapolate the budget for the investee companies excludes expansions and possible acquisitions in the future. Management also recognizes the possibility of new entrants, which may have significant impact on existing growth rate assumptions. Management however, believes that new entrants will not have a significant adverse impact on the forecast included in the budget.

Sensitivity to Changes in Assumptions
With regards to the assessment of value-in-use of LLC, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying amount of the CGU to exceed its recoverable amount.

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

	2017	2016
Proprietary shares	**₱171,800,000**	₱103,280,000
Investment in shares of stock:		
Listed	**527,748**	624,900
Unlisted	**162,000**	162,000
	₱172,489,748	₱104,066,900

The movements in this account are as follows:

	2017	2016
Balances at beginning of year	**₱104,066,900**	₱103,517,560
Changes in fair value of AFS financial assets	**68,422,848**	549,340
Balances at end of year	**₱172,489,748**	₱104,066,900

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, 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 ₱166.8 million and ₱100.1 million as at June 30, 2017 and 2016 are used as collateral for the Group's loans (see Note 19).

Movements in the unrealized gains on AFS financial assets, net of tax, included in the other comprehensive income are as follows:

	2017	2016
Balances at beginning of year	**₱77,489,330**	₱76,939,990
Unrealized gains on AFS financial assets - net of tax	**61,580,563**	549,340
Balances at end of year	**₱139,069,893**	₱77,489,330

15. **Property, Plant and Equipment** - at cost

2017

	Machinery and equipment	Agricultural machinery and equipment	Land improvements	Buildings and improvements	Transportation equipment	Furniture, fixtures and equipment	Communication and utility systems	Roads and bridges	Construction in-progress	Total
Cost:										
Balances at beginning of year	**₱1,414,362,751**	**₱49,383,726**	**₱85,284,958**	**₱132,697,530**	**₱22,998,435**	**₱40,224,925**	**₱7,557,483**	**₱12,350,552**	**₱9,529,543**	**₱1,774,389,903**
Additions	**98,733,955**	**37,697,435**	**271,042**	**9,654,339**	**3,425,823**	**4,384,393**	**416,395**	**–**	**18,551,560**	**173,134,942**
Disposal	**(44,643)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(44,643)**
Reclassifications	**6,684,251**	**–**	**–**	**42,318**	**–**	**–**	**–**	**–**	**(6,726,569)**	**–**
Balances at end of year	**1,519,736,314**	**87,081,161**	**85,556,000**	**142,394,187**	**26,424,258**	**44,609,318**	**7,973,878**	**12,350,552**	**21,354,534**	**1,947,480,202**
Accumulated depreciation and amortization:										
Balances at beginning of year	**1,140,448,852**	**5,358,593**	**40,281,495**	**103,541,911**	**5,923,848**	**30,424,706**	**6,916,724**	**12,350,536**	**–**	**1,345,246,665**
Depreciation and amortization (see Notes 20, 21, 22, 23 and 24)	**74,179,898**	**10,500,802**	**1,467,816**	**6,179,227**	**2,181,365**	**4,056,941**	**260,053**	**–**	**–**	**98,826,102**
Disposal	**(8,286)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(8,286)**
Balances at end of year	**1,214,620,464**	**15,859,395**	**41,749,311**	**109,721,138**	**8,105,213**	**34,481,647**	**7,176,777**	**12,350,536**	**–**	**1,444,064,481**
Net book values	**₱305,115,850**	**₱71,221,766**	**₱43,806,689**	**₱32,673,049**	**₱18,319,045**	**₱10,127,671**	**₱797,101**	**₱16**	**₱21,354,534**	**₱503,415,721**

2016

	Machinery and equipment	Agricultural machinery and equipment	Land improvements	Buildings and improvements	Transportation equipment	Furniture, fixtures and equipment	Communication and utility systems	Roads and bridges	Construction in-progress	Total
Cost:										
Balances at beginning of year	₱1,357,493,193	₱39,109,200	₱48,672,134	₱128,856,616	₱21,948,613	₱35,561,999	₱7,155,624	₱12,350,552	₱12,707,263	₱1,663,855,194
Additions	47,212,191	10,274,526	34,108,437	3,379,771	1,049,822	4,788,926	401,859	–	9,529,543	110,745,075
Write-off	–	–	–	–	–	(126,000)	–	–	–	(126,000)
Reclassifications	9,657,367	–	2,504,387	461,143	–	–	–	–	(12,707,263)	(84,366)
Balances at end of year	1,414,362,751	49,383,726	85,284,958	132,697,530	22,998,435	40,224,925	7,557,483	12,350,552	9,529,543	1,774,389,903
Accumulated depreciation and amortization:										
Balances at beginning of year	1,096,377,631	2,791,875	38,657,174	100,461,817	4,951,000	27,439,659	6,726,962	12,350,536	–	1,289,756,654
Depreciation and amortization (see Notes 20, 21, 22, 23 and 24)	44,071,221	2,566,718	1,624,321	3,080,094	972,848	3,111,047	189,762	–	–	55,616,011
Write-off	–	–	–	–	–	(126,000)	–	–	–	(126,000)
Balances at end of year	1,140,448,852	5,358,593	40,281,495	103,541,911	5,923,848	30,424,706	6,916,724	12,350,536	–	1,345,246,665
Net book values	₱273,913,899	₱44,025,133	₱45,003,463	₱29,155,619	₱17,074,587	₱9,800,219	₱640,759	₱16	₱9,529,543	₱429,143,238

16. **Land**

Land recognized under property, plant and equipment carried at revalued amount as at June 30, 2017 and 2016 amounted to ₱874.0 million and ₱716.6 million, respectively and land recognized under investment property carried at fair value as at June 30, 2017 and 2016 amounted to ₱1.5 billion and ₱1.4 billion, respectively.

The fair value, categorized as Level 3 in the fair value hierarchy, is based on valuations determined by an independent appraiser, accredited by the Philippine SEC, as at June 30, 2017. 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 comparable properties sold in the market. The weight given to this approach is dependent on the availability of recent confirmed sales of properties considered comparable to the property being appraised. These sold properties are compared to the property being appraised based on the key units of comparison. Adjustments are made to account for identified differences against the comparable, resulting in adjusted sales values for each of the comparable.

Property and Equipment
Movements in land at revalued amount recognized under property, plant and equipment are summarized below:

	2017	2016
Balances at beginning of year	**₱716,600,000**	₱685,700,000
Revaluation increments	**157,400,000**	30,900,000
Balances at end of year	**₱874,000,000**	₱716,600,000

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

	2017	2016
Balances at beginning of year	**₱1,836,613,293**	₱1,814,983,293
Revaluation increments	**110,180,000**	21,630,000
Balances at end of year	**₱1,946,793,293**	₱1,836,613,293
Attributable to:		
Property, plant and equipment	**₱605,610,313**	₱495,430,313
Property, plant and equipment reclassified to investment property	**1,341,182,980**	1,341,182,980

Investment Property
Movements in land at fair value recognized under investment property are summarized below:

	2017	2016
Balances at beginning of year	**₱1,357,400,000**	₱1,357,400,000
Change in fair value of investment property	**129,000,000**	–
Balances at end of year	**₱1,486,400,000**	₱1,357,400,000

17. Other Noncurrent Assets

	2017	2016
Advances for land maintenance	**₱170,858,885**	₱182,520,080
Deferred charges	**23,674,596**	11,681,880
Recoverable deposits	**4,237,677**	4,782,488
Others	**20,000**	20,000
	₱198,791,158	₱199,004,448

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 costs incurred for LHDL such as security, repairs and maintenance and power among others. Annual dues received from homeowners and collections from use of LHDL facilities are credited to this account.

18. Trade and Other Payables

	2017	2016
Trade payables	**₱226,406,892**	₱156,723,125
Accruals:		
Freight and transportation	**43,923,840**	42,289,454
Interest and penalties	**31,202,714**	26,115,020
Spare parts, supplies and inventory cost	**28,907,316**	31,100,718
Repairs and maintenance	**28,677,655**	39,983,578
Taxes	**6,538,023**	12,354,031
Professional fees	**2,891,694**	5,245,000
Salaries, wages and other benefits	**2,442,022**	1,660,271
Others	**30,365,218**	16,148,138
Advances from related parties (see Note 27)	**13,025,174**	3,817,198
Estimated liability for cash surrender value	**2,527,345**	2,527,345
Customers' advances	**1,658,305**	2,692,726
Other payables	**68,226,990**	73,193,455
	₱486,793,188	₱413,850,059

Trade payables are non-interest bearing and are generally settled within a 30-day credit term.

Other payables includes advances from J.C. Enterprises, Inc. (JCE) which pertains to cash received years for working capital requirements. These advances are non-interest bearing.

19. Notes Payable

Short-term bank notes

	2017	2016
Working capital facilities	**₱753,333,334**	₱350,000,000
Promissory notes	**19,585,788**	27,589,824
	₱772,919,122	₱377,589,824

₱820.0 million Working Capital Facilities Agreement (WCFA)
Under the loan agreement, the Parent Company entered into a WCFA with BDO. Under the agreement, the Parent Company can withdraw up to ₱820.0 million at 4.25% interest rate per annum.

The promissory 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 ₱27.1 million, ₱11.7 million and ₱15.7 million in 2017, 2016, and 2015, respectively.

Long-term bank notes

	2017	2016
Local bank	**₱2,058,000,000**	₱2,079,000,000
Less deferred financing cost	**15,492,406**	21,797,934
	2,042,507,594	2,057,202,066
Less current portion	**14,420,921**	14,694,471
	₱2,028,086,673	₱2,042,507,595

On October 15, 2014, the Parent Company obtained a long-term interest-bearing loan from a Banco de Oro Unibank, Inc. (BDO) amounting to ₱2.1 billion. Net proceeds from the loan amounted to ₱2.1 billion 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 ₱1.1 billion each for the purposes of interest computation. Series A incurs 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 at June 30, 2017, 2016 and 2015, the interest expense related to this loan amounted to ₱110.9 million, ₱112.0 million and ₱79.5 million, respectively, including amortization of the transaction cost amounting to ₱6.3 million, ₱6.1 million and ₱4.1 million, respectively.

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

Fiscal year	Amount
2017	₱21,000,000
2018	21,000,000
2019	2,016,000,000
	₱2,058,000,000

The 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.

The Group's land, recognized as property, plant and equipment and investment property, with carrying value of ₱2.4 billion and ₱2.1 billion as at June 30, 2017 and 2016, respectively, are used as collateral to secure the Parent Company's obligation under the term of this long-term bank notes.

20. Cost of Goods Sold

	2017	2016	2015
Inventory costs, spare parts, and supplies	**₱355,713,420**	₱322,180,619	₱67,629,205
Depreciation and amortization (see Notes 15 and 24)	**87,313,991**	46,335,259	48,542,872
Repairs and maintenance	**67,774,823**	98,342,489	102,094,089
Personnel cost (see Note 24):			
Salaries, wages, bonuses and other benefits	**61,122,358**	48,162,881	151,493,141
Retirement (see Note 26)	**–**	–	12,172,602
Security and outside services	**41,246,349**	44,397,278	18,714,943
Freight and transportation	**40,251,405**	37,513,945	43,873,639
Insurance	**8,462,544**	4,291,630	3,984,624
Power and steam	**6,162,231**	7,307,801	6,506,516
Taxes and licenses	**2,304,577**	1,525,505	2,891,902
Others	**21,919,340**	19,970,993	19,574,956
	₱692,271,038	₱630,028,400	₱477,478,489

21. Cost of Tolling Services

	2017	2016	2015
Power and steam	**₱44,742,226**	₱44,637,716	₱43,319,640
Repairs and maintenance	**22,000,353**	20,375,983	20,671,416
Personnel cost (see Note 24):			
Salaries, wages, bonuses and other benefits	**10,881,452**	8,725,166	24,355,192
Retirement (see Note 26)	**–**	–	2,875,884
Depreciation and amortization (see Notes 15 and 24)	**5,633,995**	4,085,204	2,098,473
Security and outside services	**5,225,761**	5,456,280	–
Freight and transportation	**4,654,472**	4,709,634	5,471,332
Spare parts and supplies	**4,348,109**	11,200,723	9,571,390
Taxes and licenses	**1,797,511**	1,657,415	2,240,753
Insurance	**1,428,683**	966,147	962,716
Others	**1,725,213**	1,078,593	1,128,949
	₱102,437,775	₱102,892,861	₱112,695,745

22. **Cost of Industrial Services**

	2017	2016	2015
Power and steam	**₱4,649,350**	₱4,782,204	₱3,389,029
Security and outside services	**3,491,970**	2,846,612	1,904,573
Repairs and maintenance	**2,767,596**	4,201,063	2,769,963
Termination Expense	**2,318,397**	–	–
Depreciation and amortization (see Notes 15 and 24)	**2,028,528**	2,289,776	1,844,097
Materials	**1,042,599**	793,419	486,712
Salaries, wages, bonuses and other benefits (see Note 24)	**513,224**	1,750,558	1,374,339
Taxes and licenses	**256,032**	271,446	167,573
Retirement (see Notes 24 and 26)	–	140,515	120,106
Others	**4,878,403**	991,132	110,093
	₱21,946,099	₱18,066,725	₱12,166,485

23. **Operating Expenses**

	2017	2016	2015
Personnel cost (see Note 24):			
Salaries, wages and other benefits	**₱32,116,844**	₱35,344,253	₱37,061,706
Retirement (see Note 26)	–	29,800	3,277,302
Professional fees	**27,943,614**	22,548,743	18,726,355
Taxes and licenses	**23,097,393**	13,700,453	21,033,253
Security and janitorial services	**11,155,669**	997,114	11,561,531
Repairs and maintenance	**9,578,837**	6,768,000	2,383,291
Transportation and travel	**8,637,985**	6,265,888	13,948,608
Depreciation and amortization (see Notes 15 and 24)	**3,849,588**	2,905,772	2,582,698
Rentals (see Note 27)	**3,021,017**	3,167,963	5,355,660
Dues and advertisements	**2,896,027**	1,044,707	1,050,710
Entertainment, amusement and recreation	**1,825,283**	1,897,476	2,689,492
Termination Expense	**1,238,552**	–	–
Bank charges	**1,018,233**	1,378,294	728,709
Light and water	**626,940**	912,623	1,646,030
Postage, telephone and telegram	**601,762**	633,858	968,424
Provision for doubtful accounts (see Note 8)	**401,755**	1,481,986	919,498
Management fees and bonuses	**380,000**	276,500	1,978,138
Provision for losses (see Notes 9 and 12)	**87,447**	6,384,758	–
Others	**30,445,017**	4,363,051	3,308,479
	₱158,921,963	₱110,101,239	₱129,219,884

24. **Nature of Expense**

Depreciation and amortization included in the consolidated statements of comprehensive income are as follows:

	2017	2016	2015
Cost of goods sold (see Note 20)	**₱87,313,991**	₱46,335,259	₱48,542,872
Cost of tolling services (see Note 21)	**5,633,995**	4,085,204	2,098,473
Cost of industrial services (see Note 22)	**2,028,528**	2,289,776	1,844,097
Operating expenses (see Note 23)	**3,849,588**	2,905,772	2,582,698
	₱98,826,102	₱55,616,011	₱55,068,140

Personnel expenses included in the consolidated statements of comprehensive income are as follows:

	2017	2016	2015
Cost of goods sold			
Salaries, wages, bonuses and other benefits	**₱61,122,358**	₱48,162,881	₱151,493,141
Net retirement benefit expense	–	–	12,172,602
Cost of tolling services			
Salaries, wages, bonuses and other benefits	**10,881,452**	8,725,166	24,355,192
Net retirement benefit expense	–	–	2,875,884
Cost of industrial services			
Salaries, wages, bonuses and other benefits	**513,224**	1,750,558	1,374,339
Net retirement benefit expense	–	140,515	120,106
Operating expenses			
Salaries, wages, bonuses and other benefits	**32,116,844**	35,344,253	37,061,706
Net retirement benefit expense	–	29,800	3,277,302
Other income - net			
Net retirement income	**(10,818,686)**	(5,447,852)	–
	₱93,815,192	₱88,705,321	₱232,730,272

25. **Other Income -** net

	2017	2016	2015
Retirement income (see Notes 24 and 26)	**₱10,818,686**	₱5,447,852	₱–
Insurance fee	**9,984,590**	5,853,262	10,263,892
Storage fee	**7,125,730**	5,925,172	5,845,503
Sale of scraps	**5,912,289**	–	2,638,985
Reversal of inventory write down (see Note 9)	–	2,426,801	–
Other expenses	**938,820**	(7,165,744)	385,862
	₱34,780,115	₱12,487,343	₱19,134,242

26. **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, 2017.

The fund is administered by Luisita Trust Fund (LTF) 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)

	2017	2016	2015
Current service cost	**₱21,956,921**	₱1,680,531	₱7,208,395
Interest cost	**2,466,425**	1,161,486	7,505,831
Interest income	**(33,371,432)**	(8,289,869)	(17,289,897)
Past service cost	**(1,170,182)**	–	–
Settlement cost	–	–	20,875,989
	(₱10,118,268)	(₱5,447,852)	₱18,300,318

Retirement Asset

	2017	2016
Fair value of plan asset	**₱373,568,851**	₱765,526,094
Present value of defined benefit obligation	**(34,166,454)**	(56,695,672)
Net retirement asset	**₱339,402,397**	₱708,830,422

Changes in the Present Value of Defined Benefit Obligation

	2017	2016
Balances at beginning of year	**₱56,695,672**	₱25,304,695
Current service cost	**21,956,921**	1,680,531
Interest cost	**2,466,425**	1,161,486
Benefits paid	**–**	(12,932,746)
Past service cost	**(1,170,182)**	–
Actuarial losses (gains):		
Changes in financial assumptions	**(25,092,294)**	34,113,984
Experience adjustments	**(18,517,660)**	7,937,169
Changes in demographic assumptions	**(2,172,428)**	(569,447)
Balances at end of year	**₱34,166,454**	₱56,695,672

Changes in the Fair Value of Plan Asset

	2017	2016
Balances at beginning of year	**₱765,526,094**	₱180,607,176
Interest income included in interest cost	**33,371,432**	8,289,869
Actual return excluding amount included in interest cost	**(425,328,675)**	576,629,049
Balances at end of year	**₱373,568,851**	₱765,526,094

Remeasurement Effects Recognized in OCI

	2017	2016	2015
Actuarial gains (loss)	**₱45,782,382**	(₱41,481,706)	₱4,465,871
Actual return on assets excluding amount included in net interest cost	**(425,328,675)**	576,629,049	(29,278,104)
Effect of asset ceiling	**–**	–	8,459,625
Amount to be recognized in OCI	**(₱379,546,293)**	₱535,147,343	(₱16,352,608)

Changes in Net Amount Recognized in OCI

	2017	2016
Net amount recognized in OCI, beginning	**₱491,936,830**	₱117,333,690
Amount recognized during the year - net of tax effect	**(265,682,405)**	374,603,140
Net amount recognized in OCI, ending	**₱226,254,425**	₱491,936,830

The fair value of the Parent Company's plan asset by each class are as follows:

	2017	2016
Assets:		
Cash in banks and cash equivalents	**₱19,119,263**	₱3,494,196
Investments in shares of stock	**659,238,062**	1,041,588,240
	678,357,325	1,045,082,436

(Forward)

	2017	2016
Liabilities:		
Payable to CAT	**₱272,725,079**	₱246,266,511
Payable to FLHC	**1,450,428**	1,450,428
Accounts payable and accrued expenses	**30,612,967**	31,839,403
	304,788,474	279,556,342
Net	**₱373,568,851**	₱765,526,094

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 with LTF owning 16.76% or 4,734,492 common shares.

The principal actuarial assumptions used are as follows:

	2017	2016
Future salary increase rate	**6.00%**	3.00%
Discount rate	**5.13%**	4.36%
Turnover rate	**A scale of 4% at age 18 decreasing to 0% at age 60**	A scale of 1% at age 18 decreasing to 0% at age 60
Average working lives (in years)	**18**	23

Mortality rate is based on the 2017 Philippine Intercompany Mortality table and 1994 Group Annuity Mortality Table.

The discount rate used is a single weighted average rate based on bootstrapped Philippine Dealing System Treasury Reference Rates (PDST-R2) at various tenors. 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 at the end of the reporting period, assuming all other assumptions were held constant:

Significant Assumptions	2017	2016
Discount rate		
Increase of 1%	**(₱30,914,959)**	(₱49,039,711)
Decrease of 1%	**37,931,266**	66,296,681
Future salary increase rate		
Increase of 1%	**38,135,060**	66,111,295
Decrease of 1%	**(30,683,445)**	(48,980,772)

The overall investment policy and strategy of the Parent Company's defined benefit plan 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 at June 30, 2017 and 2016 is 25 years and 20 years, respectively.

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

2017

	Expected Benefit Payments		
Plan Year	**Normal Retirement**	**Other than Normal Retirement**	**Total**
Less than 1 year	**₱–**	**₱357,711**	**₱357,711**
More than 1 year to 5 years	**3,890,706**	**3,304,295**	**7,195,001**
More than 5 years to 10 years	**19,341,985**	**6,459,566**	**25,801,551**
More than 10 years to 15 years	**58,887,213**	**4,862,617**	**63,749,830**
More than 15 years to 20 years	**27,741,387**	**4,704,199**	**32,445,586**
More than 20 years	**195,919,463**	**17,764,081**	**213,683,544**

2016

	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, 2017.

Retirement Expense

	2017	2016	2015
Current service cost	**₱191,294**	₱113,134	₱95,477
Interest cost	**101,668**	57,181	50,099
Past service cost	**(993,380)**	–	–
	(₱700,418)	₱170,315	₱145,576

Changes in the Present Value of Defined Benefit Obligation

	2017	2016
Balances at beginning of year	**₱2,358,886**	₱1,235,006
Current service cost	**191,294**	113,134
Interest cost	**101,668**	57,181
Actuarial loss (gains) due to:		
Experience adjustments	**(1,599,393)**	(120,203)
Changes in financial assumptions	**(29,339)**	1,355,919
Changes in demographic Assumptions	**(323)**	(282,151)
Past service cost	**(993,380)**	−
Balances at end of year	**₱29,413**	₱2,358,886

Remeasurement Effects Recognized in OCI

	2017	2016	2015
Actuarial gain (losses)	**₱1,629,055**	(₱953,565)	(₱449)

Changes in Net Amount Recognized in OCI

	2017	2016
Net amount recognized in OCI, beginning	**(₱954,014)**	(₱449)
Amount recognized during the year - net of tax	**1,629,055**	(953,565)
Net amount recognized in OCI, ending	**₱675,041**	(₱954,014)

The principal actuarial assumptions used are as follows:

	2017	2016
Future salary increase rate	**6.00%**	10.00%
Discount rate	**5.00%**	4.31%
Turnover rate	**A scale of 24% at age 18 decreasing to 0% at age 60**	A scale of 24% at age 18 decreasing to 0% at age 60
Average working lives (in years)	**8**	12

Mortality rate is based on the 2017 Philippine Intercompany Mortality table and 1994 Group Annuity Mortality Table.

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 at June 30, 2017. 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 at the end of the reporting period, assuming all other assumptions were held constant:

Significant Assumptions	**2017**	2016
Discount rate		
Increase of 1%	**(₱25,528)**	(₱2,074,463)
Decrease of 1%	**33,996**	2,692,737
Future salary increase rate		
Increase of 1%	**34,030**	2,680,579
Decrease of 1%	**(25,430)**	(2,078,330)

The average duration of the defined benefit obligation as at June 30, 2017 and 2016 is 18 years and 16 years, respectively.

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

2017

Plan Year	**Expected Benefit Payments**
More than 10 years to 15 years	**₱673,554**
More than 15 years to 20 years	**346,721**
More than 20 years	**363,452**

2016

Plan Year	Expected Benefit Payments
More than 1 year to 5 years	₱249,389
More than 5 years to 10 years	935,453
More than 10 years to 15 years	1,672,491
More than 15 years to 20 years	3,580,325
More than 20 years	2,734,889

27. **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.

Transactions with Related Parties

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

		Year	Transactions	Outstanding Receivables (Payables)	Terms	Conditions
Shareholders						
Receivables	(a)	**2017**	**₱–**	**₱75,458,098**	Net settlement; non-interest bearing; generally 30 days	Unsecured, no impairment
		2016	₱–	₱75,458,098		
Payables	(b)	**2017**	**(10,076,518)**	**(13,025,174)**	Net settlement; non-interest bearing; generally 30 days	Unsecured
		2016	–	(2,949,085)		
CRAHI						
Receivables	(c)	**2017**	**76,376,642**	**167,324,400**	Net settlement; non-interest bearing; generally 30 days	Unsecured, no impairment
		2016	63,381,998	90,945,758		
Trust Fund						
Receivables	(d)	**2017**	**26,458,568**	**272,725,079**	Net settlement; 10% interest per annum; generally 30 days	Unsecured, no impairment
		2016	67,254	247,332,072		
Other Related Party						
Rentals	(e)	**2017**	**3,021,017**	–	Payable monthly in advance	Unsecured
		2016	3,167,963	–		
Stockholders, Directors and Officers						
Receivables	(f)	**2017**	**47,935,717**	**7,098,821**	Non-interest bearing; generally 30 days	Unsecured, with impairment
		2016	39,967,513	10,839,363		

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

a. Pertains to the sale of land to North Star Estate Holdings, Inc. and for working capital advanced by the Group.

b. Pertains to payments made by shareholders on behalf of the Group.

c. Pertains to cash advances given to CRAHI for working capital requirements and for settlement of promissory note due to previous shareholders.

d. Pertains to cash advances given to LTF for the funding of the manpower reduction program. Interest income amounted to ₱26.2 million and nil as at June 30, 2017 and 2016, respectively.

e. Pertains to the lease agreement with First Lucky Property Corporation (FLPC) for the lease of its corporate office commencing from December 1, 2014 for a period of one year extendible at the option of the Lessee for an additional period of three (3) years subject to mutually acceptable rates, terms and conditions.

f. 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 on behalf of the Group.

Compensation of Key Management Personnel
Short-term employee benefits of key management personnel amounted to ₱24.7 million and ₱25.2 million for the years ended June 30, 2017 and 2016, respectively.

28. Income Taxes

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

	2017	2016
Deferred income tax assets recognized in profit or loss		
Unamortized portion of past service costs	**₱10,380,634**	₱13,021,516
Retirement benefit	**9,077,192**	12,112,672
Provision for losses	**1,915,427**	1,915,427
Accruals	**1,672,892**	1,672,892
Allowance for doubtful accounts	**1,584,001**	1,475,676
Allowance for inventory obsolescence	**1,457,356**	1,431,122
	26,087,502	31,629,305
Deferred income tax liabilities recognized directly in equity		
Revaluation increment on PPE	**259,547,277**	212,327,277
Retirement benefit	**99,274,155**	213,138,043
Fair value adjustment on real estate held for sale and development	**79,186,027**	79,186,027
Unrealized cumulative gains on AFS financial asset	**14,586,218**	7,743,933
	452,593,677	512,395,280
Net deferred income tax liabilities	**₱426,506,175**	₱480,765,975

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:

	2017	2016	2015
Income tax at 30% on income before income tax	**₱114,599,085**	₱80,553,721	₱66,129,152
Income tax effects of:			
Changes in unrecognized deferred income tax assets	**18,694,056**	19,043,843	8,522,012
Nondeductible expenses	**463,513**	151,220	3,170,907
Gain on fair value change of investment property	**(38,700,000)**	–	–
Interest income already subjected to final tax	**(150,918)**	(199,740)	(298,660)
Income subject to final tax	–	(7,686,771)	–
Unallowable portion of interest expense	–	–	112,363
Nontaxable income	–	–	(1,415,727)
	₱94,904,736	₱91,862,273	₱76,220,047

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

	2017	2016
NOLCO	**₱156,353,064**	₱94,917,391
Allowance for doubtful accounts	**3,823,771**	4,035,570
MCIT	**1,254,170**	3,336,834
Accrual for retirement benefits	**29,413**	2,358,886
Others	**7,517,231**	7,517,231

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
2015	2016–2018	₱40,376,670	₱–	₱–	₱40,376,670
2016	2017–2019	54,540,721	–	–	54,540,721
2017	2018–2020	61,435,673	–	–	61,435,673
		₱156,353,064	₱–	₱–	₱156,353,064

MCIT

Period of Recognition	Availment Period	Amount	Applied	Expired	Balance
2014	2015–2017	₱2,439,052	₱–	₱2,439,052	₱–
2015	2016–2018	568,151	–	–	568,151
2016	2017–2019	329,631	–	–	329,631
2017	2018–2020	356,388	–	–	356,388
		₱3,693,222	₱–	₱2,439,052	₱1,254,170

29. 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:

	2017	2016
Refined sugar - traders	**389,923 Lkg**	488,228 Lkg

Lease Agreement
In previous years, 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 27). 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 subject to mutually acceptable rates, terms and conditions. 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 statements of income amounted to ₱3.0 million, ₱3.2 million and ₱2.8 million in 2017, 2016 and 2015, respectively.

The Group's previous lease agreement with JCE was renewed until December 31, 2014. Rent expense charged to operations amounted to ₱2.5 million in 2015.

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.

30. **Equity**

Capital Stock
The authorized capital stock of the Parent Company is 40.0 million shares as at June 30, 2017 and 2016, 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 Philippine 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.

On June 15, 2016, the BOD of the Parent Company authorized a ten-for-one stock split to increase the number of shares of stock and decrease the par value that took effect on October 18, 2016.

	Prior to Amendment			After Amendments		
	Authorized Capital	Number of Shares	Par Value	Authorized Capital	Number of Shares	Par Value
Common Stock	40,000,000	28,254,596	₱10.00	400,000,000	282,545,960	₱1.00

The total number of shareholders is 400 and 395 as at June 30, 2017 and June 30, 2016, respectively.

Retained Earnings
As at June 30, 2017, the Group appropriated its retained earnings amounting to ₱200.0 million for the costs expected to be incurred to its planned maintenance on its milling facility based on the BOD Resolution dated June 20, 2017. These activities are expected to be completed over the period of two years.

Basic/diluted Earnings Per Share
The basic/diluted earnings per share for the years ended June 30, 2017, 2016 and 2015 are computed as follows:

	2017	2016	2015
Net income (a)	**₱287,092,214**	₱176,650,131	₱144,210,459
Weighted average number of shares (b):			
Issued shares	**282,545,960**	282,545,960	282,545,960
Less treasury shares	**7,200**	7,200	7,200
	282,538,760	282,538,760	282,538,760
Basic/diluted earnings per share (a/b)	**₱1.02**	₱0.63	₱0.51

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 7,200 shares that are in the treasury amounting to ₱7,200 as at June 30, 2017 and 2016.

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:

2017

	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				
Land classified as property, plant and equipment	**₱–**	**₱–**	**₱874,000,000**	**₱874,000,000**
Investment property	**–**	**–**	**1,486,400,000**	**1,486,400,000**
AFS financial assets - quoted	**172,327,748**	**–**	**–**	**172,327,748**
	₱ 172,327,748	**₱–**	**₱2,360,400,000**	**₱2,532,727,748**

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				
Land classified as property, plant and equipment	₱–	₱–	₱716,600,000	₱716,600,000
Investment property	–	–	1,357,400,000	1,357,400,000
AFS financial assets - quoted	103,904,900	–	–	103,904,900
	₱ 103,904,900	₱–	₱2,074,000,000	₱2,177,904,900

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

- *Sale/Asking price per sq. m.* This pertains to the sale/asking price per square meter based on the listing prices of comparable properties.

- *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 Group's land as regards to location, shape, topography, size, zoning, amenities, and easement for access and utility lines.

The table below summarizes the foregoing 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
Sale/asking price per sq.m.	₱450 to ₱1,200	The higher the value, the higher the fair value
Conditions on sale of comparable properties	Up to +/- 15.0%	The more onerous the conditions in contract of sale of comparable properties, the higher the fair value
Physical Adjustments	Up to +/- 30.0%	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 at June 30, 2017 and are disclosed in their respective notes. Below are the descriptions of the Group's financial instruments that are carried in the consolidated financial statements as at June 30, 2017 and 2016.

<u>Cash and Cash Equivalents, Receivables and Trade and Other Payables</u>
Due to the short-term nature of these financial instruments, their fair values approximate the carrying amounts as at reporting date.

<u>AFS Financial Assets</u>
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 reporting 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.

<u>Notes Payable</u>
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 3 are determined based on estimated cash flows with discount rates ranging from 4.8% to 6.0% as at June 30, 2017 and 2016

The fair value and carrying amount of the Group's notes payable are as follows:

	2017	2016
Carrying amount	**₱2,028,086,673**	₱2,042,507,595
Fair value	**1,987,006,002**	2,100,262,915

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as at 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 and cash equivalent, AFS financial assets and notes payable. 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 based on undiscounted payments:

2017

	Within 30 Days	**Within 1 Year**	**Above 1 Year**	**Total**
Notes payable including interest	**₱40,395,462**	**₱197,125,355**	**₱2,168,921,650**	**₱2,406,442,467**
Trade payables	**96,572,722**	**129,834,170**	**−**	**226,406,892**
Due to related parties	**−**	**13,025,174**	**−**	**13,025,174**
Accruals*	**−**	**166,305,126**	**−**	**166,305,126**
Other payables	**1,599,937**	**68,285,357**	**−**	**69,885,294**
	₱138,568,121	**₱574,575,182**	**₱2,168,921,650**	**₱2,882,064,953**

**Excluding statutory liabilities*

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 payables	31,883,585	124,839,540	−	156,723,125
Due to related parties	−	3,817,198	−	3,817,198
Accruals*	36,242,173	252,396,539	−	288,638,712
Other payables	2,945,176	75,468,350	−	78,413,526
	₱97,325,777	₱1,041,329,244	₱2,190,466,320	₱3,329,121,341

**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:

2017

	Within 30 Days	Within 1 Year	Above 1 Year	Total
Cash and cash equivalents*	**₱238,194,857**	**₱–**	**₱–**	**₱238,194,857**
Receivables:				
Trade	**95,647,947**	**33,090,963**	**–**	**128,738,910**
Receivable from real estate contractors	**–**	**–**	**16,728,039**	**16,728,039**
Planters' receivables	**–**	**5,678,150**	**–**	**5,678,150**
Due from related parties	**–**	**515,507,577**	**–**	**515,507,577**
Advances	**–**	**81,155,523**	**–**	**81,155,523**
AFS financial assets:				
Proprietary	**171,800,000**	**–**	**–**	**171,800,000**
Listed	**527,748**	**–**	**–**	**527,748**
Unlisted	**182,000**	**–**	**–**	**182,000**
	₱506,352,552	**₱635,432,213**	**₱16,728,039**	**₱1,158,512,804**

**Excluding cash on hand*

2016

	Within 30 Days	Within 1 Year	Above 1 Year	Total
Cash and cash equivalents*	₱93,156,664	₱–	₱–	₱93,156,664
Receivables:				
Trade	30,813,317	106,330,319	–	137,143,636
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	–	84,251,648	–	84,251,648
AFS financial assets:				
Proprietary	103,280,000	–	–	103,280,000
Listed	624,900	–	–	624,900
Unlisted	162,000	–	–	162,000
	₱244,764,920	₱609,392,000	₱–	₱854,156,920

**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:

	2017	2016
Cash and cash equivalents*	**₱236,857,253**	₱93,156,664
Receivables:		
Trade	**128,738,910**	137,143,636
Receivables from real estate contractors	**16,728,039**	16,728,039
Planters' receivables	**5,678,150**	5,074,105
Due from related parties	**515,507,577**	413,735,928
Advances	**81,155,523**	84,251,648
Others	**24,116,735**	11,450,411
AFS Financial Assets:		
Proprietary	**171,800,000**	103,280,000
Listed	**527,748**	624,900
Unlisted	**182,000**	162,000
Total credit risk exposure	**₱1,181,291,935**	₱865,607,331

**Excluding cash on hand*

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

The analysis of receivables is as follows:

2017

	Total	**Neither Past Due nor Impaired**	**Past Due but not Impaired: 30 Days**	**90 Days**	**More than 150 Days**	**Impaired**
Trade	**₱124,030,109**	**₱123,876,626**	**₱–**	**₱–**	**₱–**	**₱153,483**
Receivables from real estate contractor	**21,336,008**	**687,981**	**–**	**22,804**	**16,801,452**	**3,823,771**
Planters' receivables	**5,678,150**	**–**	**5,678,150**	**–**	**–**	**–**
Due from related parties	**515,507,577**	**–**	**–**	**–**	**515,507,577**	**–**
Advances	**81,155,523**	**7,098,821**	**–**	**–**	**68,930,180**	**5,126,522**
Others	**24,217,567**	**23,051,175**	**–**	**–**	**1,166,392**	**–**
	₱771,924,934	**₱154,714,603**	**₱5,678,150**	**₱22,804**	**₱602,405,601**	**₱9,103,776**

2016

	Total	Neither Past Due nor Impaired	Past Due but not Impaired: 30 Days	90 Days	More than 150 Days	Impaired
Trade	₱135,555,352	₱135,401,869	₱–	₱–	₱–	₱153,483
Receivables from real estate contractor	21,773,385	154,184	–	141,233	17,442,398	4,035,570
Planters' receivables	5,074,105	–	5,074,105	–	–	–
Due from related parties	448,230,287	–	–	–	448,230,287	–
Advances	48,691,728	10,839,363	–	–	33,086,927	4,765,438
Others	9,058,910	7,856,280			1,202,630	–
	₱668,383,767	₱154,251,696	₱5,074,105	₱141,233	₱499,962,242	₱8,954,491

As at June 30, 2017 and 2016, the credit analyses of the Group's financial assets that are neither past due nor impaired are as follows:

2017

	Grade		
	High	**Standard**	**Total**
Loans and receivables:			
Cash and cash equivalents*	**₱237,077,695**	**₱–**	**₱237,077,695**
Trade receivables	**123,876,626**	**–**	**123,876,626**
Receivables from real estate contractor	**687,981**	**–**	**687,981**
Advances	**7,098,821**	**–**	**7,098,821**
Others	**23,051,175**	**–**	**23,051,175**
AFS financial assets:			
Proprietary	**171,800,000**	**–**	**171,800,000**
Listed	**527,748**	**–**	**527,748**
Unlisted	**–**	**182,000**	**182,000**
	₱564,120,046	**₱182,000**	**₱564,302,046**

**Excluding cash on hand*

2016

	Grade		
	High	Standard	Total
Loans and receivables:			
Cash and cash equivalents*	₱84,940,260	₱–	₱84,940,260
Trade receivables	135,401,869	–	135,401,869
Receivables from real estate contractor	154,184	–	154,184
Advances	10,839,363	–	10,839,363
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
	₱343,096,856	₱162,000	₱343,258,856

**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 is fixed until the maturity of the instrument. The Group's financial instruments with fixed interest rate exposes the Group to fair value interest rate risk. The changes in market interest rate will not have an impact on the Group's consolidated statement of income.

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.

	2017	2016
Notes payable	**₱2,815,426,716**	₱2,434,791,890
Trade and other payables	**486,793,188**	413,850,059
Deposits	**6,951,707**	6,596,212
Total debt (a)	**3,309,171,611**	2,855,238,161
Equity	**3,076,263,761**	2,881,464,334
Total debt and equity (b)	**₱6,385,435,372**	₱5,736,702,495
Gearing ratio (a/b)	**0.52**	0.50

SGV
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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 AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Central Azucarera de Tarlac and Subsidiary
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, 2017 and 2016 and for the years then ended and have issued our report thereon dated September 18, 2017. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The following supplementary schedules of:

1. Costs of goods sold;
2. Operations;
3. Financial highlights;
4. Revenue and cost of goods sold and services; and
5. Production highlights

for the years then ended are presented for purposes of additional analysis, and are not required part of the basic financial statements. The information in the supplementary schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Maria Veronica Andresa R. Pore

Maria Veronica Andresa R. Pore
Partner
CPA Certificate No. 90349
SEC Accreditation No. 0662-AR-3 (Group A),
March 2, 2017, valid until March 1, 2020
Tax Identification No. 164-533-282
BIR Accreditation No. 08-001998-71-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 5908745, January 3, 2017, Makati City

September 18, 2017

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INDEPENDENT AUDITOR'S 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 accompanying consolidated financial statements of Central Azucarera de Tarlac and Subsidiary as at and for the years ended June 30, 2017 and 2016 and have issued our report thereon dated September 18, 2017. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, fairly states, in all material respects, the information required to be set forth therein in relation to the consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Maria Veronica Andresa R. Pore

Maria Veronica Andresa R. Pore
Partner
CPA Certificate No. 90349
SEC Accreditation No. 0662-AR-3 (Group A),
March 2, 2017, valid until March 1, 2020
Tax Identification No. 164-533-282
BIR Accreditation No. 08-001998-71-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 5908745, January 3, 2017, Makati City

September 18, 2017

CENTRAL AZUCARERA DE TARLAC AND SUBSIDIARY
INDEX TO FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE

SUPPLEMENTARY SCHEDULES

CENTRAL AZUCARERA DE TARLAC AND SUBSIDIARY

SCHEDULE A - RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

AS AT JUNE 30, 2017

Retained earnings as at July 1, 2016		₱193,840,135
Deferred income tax asset		(26,087,502)
Retained earnings as at July 1, 2016 *as adjusted to available for dividend declaration*		167,752,633
Add: Net income actually earned/realized during the period		
Net income during the year closed to retained earnings	287,092,214	
Less: Non-actual/unrealized income net of tax		
Equity in net earnings of associate/joint venture	–	
Unrealized foreign exchange gain - net (except those attributable to cash)	–	
Unrealized actuarial gain	–	
Fair value adjustment (mark-to-market gain)	–	
Fair value adjustment of investment property resulting to gain	129,000,000	
Adjustment due to deviation from PFRS - gain	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transaction accounted for under PFRS	–	
Subtotal	129,000,000	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	–	
Adjustment due to deviation from PFRS - loss	–	
Loss on fair value adjustment on investment property (after tax)	–	
Subtotal	–	
Net income actually earned during the period		158,092,214
Add (Less):		
Dividend declarations during the year	–	
Appropriation of retained earnings	(200,000,000)	
Reversal of appropriations	–	
Effect of prior period adjustments	–	
Treasury shares	(7,200)	
Subtotal		(200,007,200)
Retained earnings as at June 30, 2017 available for dividends		₱125,837,647

CENTRAL AZUCARERA DE TARLAC
SCHEDULE B – LIST OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS
AS AT JUNE 30, 2017

List of Philippine Financial Reporting Standards (PFRSs) and Philippine Interpretations Committee (PIC) Q&As effective as at June 30, 2017:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at June 30, 2017		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			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions*	Not Early Adopted		
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9 with PFRS 4*	Not Early Adopted		
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓

**Standards and interpretations which will become effective subsequent to June 30, 2017.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at June 30, 2017		Adopted	Not Adopted	Not Applicable
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39: 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*			✓
	Amendments to PFRS 7: Disclosures - Servicing Contracts			✓
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
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	✓		
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10: Investment Entities - Applying the Consolidation Exception			✓
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Not Early Adopted		
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓

**Standards and interpretations which will become effective subsequent to June 30, 2017.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at June 30, 2017		Adopted	Not Adopted	Not Applicable
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 12: Investment Entities - Applying the Consolidation Exception			✓
	Amendments to PFRS 12: Clarification of the Scope of the Standard*	Not Early Adopted		
PFRS 13	Fair Value Measurement	✓		
	Amendments to PFRS 13: Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers*	Not Early Adopted		
	Amendments to PFRS 15: Clarifications to PFRS 15*	Not Early Adopted		
PFRS 16	Leases*	Not Early Adopted		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Statement of Cash Flows - Disclosure Initiative*	Not Early Adopted		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
	Amendments to PAS 12: Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*	Not Early Adopted		

**Standards and interpretations which will become effective subsequent to June 30, 2017.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at June 30, 2017		Adopted	Not Adopted	Not Applicable
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans - Employee Contributions			✓
	Amendments to PAS 19: Regional Market Issue regarding Discount Rate			✓
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	✓		
	Amendments to PAS 24: Key Management Personnel			✓
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28: Investment Entities - Applying the Consolidation Exception			✓
	Amendments to PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Not Early Adopted		
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value*	Not Early Adopted		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓

**Standards and interpretations which will become effective subsequent to June 30, 2017.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at June 30, 2017		Adopted	Not Adopted	Not Applicable
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32: 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	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Amendments to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
PAS 39	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: Financial Guarantee Contracts			✓
	Amendments to PAS 39: Reclassification of Financial Assets			✓
	Amendments to PAS 39: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendment to PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
	Amendments to PAS 40: Transfers of Investment Property*	Not Early Adopted		
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓

**Standards and interpretations which will become effective subsequent to June 30, 2017.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **Effective as at June 30, 2017**		**Adopted**	**Not Adopted**	**Not Applicable**
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 8	*Scope of PFRS 2*			✓
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 11	PFRS 2 - Group and Treasury Share Transactions	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate*	Not Early Adopted		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration*	Not Early Adopted		
SIC-7	Introduction of the Euro			✓

**Standards and interpretations which will become effective subsequent to June 30, 2017.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at June 30, 2017		Adopted	Not Adopted	Not Applicable
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
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			✓

**Standards and interpretations which will become effective subsequent to June 30, 2017.*

111202017002526

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 Information

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

Document Information

Document ID	111202017002526
Document Type	17-Q (FORM 11-Q:QUARTERLY REPORT/FS)
Document Code	17-Q
Period Covered	September 30, 2017
No. of Days Late	0
Department	CFD
Remarks	

P	W	0	0	0	0	0	7	2	7

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

SEC 17-Q Quarterly Report
SEPT. 30, 2017

0	1		any

Month Year
Annual Meeting

Secondary License Type, If Applicable

CFD
Dept. Requiring this Doc

Amended Articles Number/Section

Total Amount of Borrowings

4	0	0

Total No. of Stockholders

Domestic Foreign

To be accomplished by SEC Personnel Concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

COVERSHEET
CS-99-AF
COVER SHEET FOR ALL FILINGS EXCEPT EXPRESS LANE

COVER SHEET

SEC Number 727

Company TIN 000-229-931

CENTRAL AZUCARERA DE TARLAC AND SUBSIDIARY
(Company's Full Name)

San Miguel , Tarlac , Tarlac
Makati Office – First Lucky Place, 2259 Pasong Tamo Extn,
Makati City
(Company's Address: No., Street, City, Town/Province)

818 – 6270
(Company's Telephone Number)

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

last Tuesday of January
Annual Meeting

17 – Q (Quarterly Report – 1st Quarter
of the Fiscal Year 2017-18 (July to Sept. 2017)
(FORM TYPE)

(Amendment Designation, if Applicable)

(Secondary License Type, if any)

(Company Representative)
(Birth Date)
(TIN)

Do not fill below this line

Cashier

File Number

Central Receiving Unit

Document ID

LCU

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17 – Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES

REGULATION CODE AND SRC RULE 17(2) (b) THEREUNDER

1. For the quarterly period ended **Sept. 30, 2017 (1st Quarter of Fiscal Year July 1, 2017 – June 30, 2018)** ………………………………………………….

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

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

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

6. Industry Classification Code : (SEC Use Only)

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

818 –6270
…………………………………………………………………………………………….
8. Issuer's telephone number, including area code

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

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

Title of each Class	Number of shares of common Stock outstanding and amount of debt outstanding
Common	**282,538,760**

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

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

Yes [**X**] No [ ]

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

12. Indicate by check mark whether the registrant:

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

Yes [**X**] No [ ]

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

Yes [**X**] No [ ]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

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

A. Unaudited Balance Sheet as of Sept. 30, 2017 and Audited June 30, 2017 Balance Sheet;

B. Unaudited Statements of Income/(Loss) for the Three (3) Months Ended Sept. 30, 2017 and 2016;

C. Unaudited Statements of Changes in Equity for the Three (3) Months Ended Sept. 30, 2017 and 2016; and

D. Unaudited Statements of Cash Flows for the Three (3) Months Ended Sept. 30, 2017 and 2016.

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

Our discussion in the foregoing sections of this report pertains to the financial condition and results of our company's operations for the three (3) months ended Sept. 30, 2017 in which references are made to results of operations for the same period of the previous year 2016.

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

PART II – OTHER INFORMATION

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

1. SIGNATURES

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

Registrant CENTRAL AZUCARERA DE TARLAC, INC.

Signature and Title WELLERITA D. AGUAS
Vice President - Finance

Principal Financial / Accounting Officer / Controller LORA MAY M. CADA

Signature and Title Finance Manager

Date: November 16, 2017

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

CENTRAL AZUCARERA DE TARLAC AND SUBSIDIARY

The following Management Discussion and Analysis should be read in connection with the submitted Unaudited Consolidated Financial Statements as at and for the three months ended September 30, 2017 and 2016.

Executive Summary

Central Azucarera de Tarlac recognizes the need to intensify its efforts for sustainable growth. The 1Q of Fiscal Year 2017-2018 was focused on efficiency and productivity bracing resiliency while faced with the volatile sugar prices at the horizon.

Emphasis is on intensifying cane supply on all fronts. The Company continues to establish concrete measures in increasing yields to generate the targeted volume for both sugar and alcohol. In addition, support to the increase volume directive is the expansive efforts in securing supply from the non-usual territorial coverage as it moves beyond Central Luzon.

On top of the sugar supply is the significant attention placed in ascertaining that the plant and all its facilities, backroom included, are poised for increased yield and production. The Company is deliberate in its plans during the first quarter in investing in strategic and maintenance Capital Expenditures with a budget of ₱50.0M.

As the non-revenue generating quarter closes, the Company incurred net profitability loss of ₱103.3M and EBITDA of ₱43.0M, respectively. EBITDA margin has improved by 67% compared to the same period last year being only -19% as compared to -57% in 1Q FY2017. Revenues were derived from sugar sales during the first quarter, inventory of which were from the last milling season. Efficient operations likewise caused the decrease in Cost of Goods Sold by 32% resulting to improvement in gross profit.

Furthermore, operating expenses improved by 22% resulting from satisfactory management of related costs. As a result, net loss has gone down to ₱43.0M in 1QFY2018 from ₱63.3M for the same period.

The Company continues to move forward with its clear vision of its strategies. Central Azucarera de Tarlac is prepared to face the continuing challenges in the Philippine sugar industry in FY2018 as it has a stronghold of its financial and operational capabilities.

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The following table is the Consolidated Statement of Income of the Company and its subsidiary, Luisita Land Corporation ("LLC"), for the periods ending September 30 2017, 2016 & 2015.

(In Million Pesos except for Volume, Price & EPS)	**THREE MONTHS ENDED SEPTEMBER 30**					
	2017		**2016**		**2015**	
VOLUME AND PRICE MATRIX	**Vol**	**P**	**Vol**	**P**	**Vol**	**P**
Raw Sugar Equivalent	97,975	1,350	-	-		
Tolling of Refined Sugar	-	-	-	-		
Alcohol	1,498,970	51	1,982,768	51	1,593,990	49
Carbon Dioxide	-	-	-	-		
REVENUE	**224.01**	**100%**	**110.43**	**100%**	**77.36**	**100%**
Sugar	132.25	59%	.00	0%	.00	0%
Tolling of Refined Sugar	.00	0%	.00	0%	.00	0%
Alcohol	76.45	34%	101.03	91%	77.36	100%
Molasses	5.56	2%	.00	0%		0%
Carbon Dioxide	.00	0%	.00	0%		0%
Industrial services	9.76	4%	9.40	0%		0%
COST OF GOODS SOLD AND SERVICES	**278.49**	**124%**	**181.16**	**164%**	**136.56**	**177%**
Costs of goods sold	262.28	117%	164.11	149%	123.08	159%
Costs of tolling services	11.41	5%	11.26	10%	9.70	13%
Cost of industrial services	4.79	2%	5.79	0%	3.78	0%
Cost of real estate	.00	0%	.00	0%	.00	0%
GROSS PROFIT	**-54.47**	**.00**	**-70.73**	**.00**	**-59.20**	**.00**
OPERATING EXPENSES	**21.78**	.00	**27.96**	.00	**19.32**	.00
OPERATING PROFIT (LOSS) BEFORE INTEREST AND TAXES	**-76.25**	**.00**	**-98.69**	**.00**	**-78.52**	**.00**
Interest expense and bank charges	-31.87	.00	-31.22	.00	-27.98	.00
Interest income	.09	.00	.04	.00	.58	.00
Others - net	4.72	.00	13.63	.00	3.38	.00
INCOME (LOSS) BEFORE TAX	**-103.31**	**.00**	**-116.24**	**.00**	**-102.55**	**.00**
PROVISION FOR INCOME TAX	**.00**	**.00**	**.00**	**.00**	**.00**	**.00**
NET INCOME [LOSS]	**-103.31**	**.00**	**-116.24**	**.00**	**-102.55**	**.00**
EBITDA	**-42.99**	**.00**	**-63.30**	**.00**	**-59.17**	**.00**
EPS	**(0.37)**		**(0.41)**		**(0.36)**	

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Management Discussion and Analysis of Financial Condition and Results of Operations

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	Three Months Ended September 30		
	2017	2016	2015
Revenue (in millions)	224.01	110.43	77.36
% Growth	103%	43%	90%

EBITDA	Three Months Ended September 30		
	2017	2016	2015
EBITDA (in millions)	-43.0	-63.3	-59.2
% Growth	32%	-7%	49%
EBITDA Margin	-19%	-57%	-76%

Net Income	Three Months Ended September 30		
	2017	2016	2015
Net income (in millions)	-103.31	-116.24	-102.55
% Growth	11%	-13%	23%
Net Income Margin	-46%	-105%	-133%

Earnings per share	Three Months Ended September 30		
	2017	2016	2015
Earnings per share	(0.37)	(0.41)	(0.36)

Milling Recovery	Three Months Ended September 30		
	2017	2016	2015
Milling recovery (Lkg/TC)	n/a	n/a	n/a

As of quarters ended September 30, 2017, 2016 and 2015, there are no comparable bases on Milling Recovery as one of the five (5) key performance indicators because production has not yet started as of those dates. Our milling operation normally starts on the 2nd week of November.

Review of Operations

Revenues

REVENUES *In Million Pesos*	2017	2016	Growth	
			Amount	%
Sugar	132.2	.0	132.2	100%
Alcohol	76.4	101.0	-24.6	-24%
Molasses	5.6	.0	5.6	100%
Industrial services	9.8	9.4	.4	4%
TOTAL	**224.0**	**110.4**	**113.6**	**103%**

The Parent Company's revenue accounted for 96% of the Group's consolidated revenues for the three (3) months ended September 30, 2017.

Revenues for the first quarter ending September 30, 2017 totaled ₱224.0M higher by 103% or ₱113.6M from the same period of the preceding year. Sugar sales from last year's inventory mainly boosted the increase in sales for the period in review.

Cost of Goods Sold

Cost of goods sold increased by ₱98.2M or 60% this quarter from ₱164.1M to ₱262.3M. The following table summarizes the breakdown of cost of goods sold:

COST OF GOODS SOLD *In Million Pesos*	2017	2016	Increase(Decrease)	
			Amount	%
Salaries, wages bonuses and other benefits	13.6	13.7	-.2	-1%
Repairs & Maintenance	35.5	38.6	-3.1	-8%
Inventory cost,spare parts and supplies	159.8	73.7	86.0	117%
Depreciation and amortization	25.3	19.2	6.0	31%
Freight and transportation	.8	.6	.2	28%
Security and outside services	8.9	9.8	-.9	-9%
Power and steam	13.1	5.0	8.1	163%
Insurance	1.5	.8	.7	87%
Taxes and licenses	.6	.3	.3	122%
Others	3.4	2.3	1.0	43%
TOTAL	**262.3**	**164.1**	**98.2**	**60%**

- The increase in Inventory cost, spare parts and supplies by ₱86.0M or 117% is primarily due to the volume sales of sugar.
- Depreciation increased by ₱6.0M or 31% as a result of the continuous and strategic acquisition of various equipment to improve mill efficiency.
- Power and steam increased by ₱8.1M or 163% due to higher power consumption.

Cost of Tolling Services

Cost of tolling minimally increased by ₱0.1M or 1% this year from ₱11.3M to ₱11.4M. The table below summarizes the breakdown of cost of tolling:

COST OF TOLLING SERVICES *In Million Pesos*	**2017**	**2016**	**Increase(Decrease)**	
			Amount	**%**
Salaries, wages bonuses and other benefits	2.2	2.5	-.3	-13%
Repairs & Maintenance	5.5	6.0	-.5	-9%
Depreciation and amortization	1.8	1.1	.7	66%
Freight and transportation	.5	.1	.4	340%
Security and outside services	.4	.4	.0	0%
Power and steam	.2	.7	-.4	-67%
Insurance	.2	.1	.1	146%
Taxes and licenses	.6	.4	.2	48%
Others	.1	.0	.1	652%
TOTAL	**11.4**	**11.3**	**.1**	**1%**

- Repairs and maintenance decreased by ₱0.5M or 9% as the Company focuses on capital expenditures that will benefit the refinery operations for extended period.
- Depreciation increased by ₱0.7M or 66% as a result of the strategic acquisition of various equipments.
- Power and steam consumption decreased by ₱0.4M or 67% due to lower power consumption.

Operating Expenses

The level of operating expenses decreased by ₱6.2M or 22% from ₱28.0M to ₱21.8M. The table below summarizes the breakdown of operating expenses:

OPERATING EXPENSES *In Million Pesos*	**2017**	**2016**	**Increase(Decrease)**	
			Amount	**%**
Salaries, wages bonuses and other benefits	6.3	8.4	-2.1	-25%
Repairs & Maintenance	.7	2.3	-1.6	-68%
Management fees and bonuses	.1	.1	.0	-15%
Taxes and licenses	2.5	1.1	1.4	131%
Depreciation and amortization	1.0	.9	.0	4%
Transportation and travel	1.9	1.8	.1	8%
Security and outside services	2.0	1.1	.9	85%
Rentals	.6	.7	-.1	-16%
Light and water	.1	.1	.0	34%
Entertainment, amusement and recreation	.3	1.0	-.6	-67%
Professional fees	4.6	7.2	-2.6	-36%
Dues and advertisements	.1	.2	-.1	-32%
Postage, telephone and telegram	.2	.2	.0	-14%
Others	1.3	2.6	-1.2	-48%
TOTAL	**21.8**	**28.0**	**-6.2**	**-22%**

- Salaries, wages, bonuses and other benefits decreased by ₱2.1M or 25% as the salary structure levels normalized.
- Professional fees decreased by ₱2.6M or 36% due to last year's one-time service engagements to accommodate the requirements of various stakeholders.
- Repairs and maintenance decreased by ₱1.6M or 68% due to prior period improvement and rehabilitation of non-plant facilities.

Balance Sheet Accounts

The table below presents the Balance Sheet Statements of the Company as of period ended September 30, 2017 and year ended June 30, 2017.

(In Million Pesos)	AS OF SEP. 30, 2017 INTERIM		AS OF JUNE 30, 2017 AUDITED		GROWTH	
	AMT	%	AMT	%	AMT	%
ASSETS						
Current Assets						
Cash and cash equivalents	184.19	3%	238.19	3%	-54.00	-23%
Receivables	795.86	12%	762.82	11%	33.04	4%
Inventories	232.88	3%	393.12	6%	-160.24	-41%
Real estate held for sale and development	988.40	15%	988.40	15%	.00	0%
Non-current asset held for sale	.00	0%	.00	0%	.00	0%
Other current assets	158.17	2%	152.79	2%	5.38	4%
Total Current Assets	**2,359.51**	**35%**	**2,535.33**	**37%**	**-175.82**	**-7%**
Non-current Assets						
AFS financial assets	172.49	3%	172.49	3%	.00	0%
Property, plant and equipment						
Land- at revalued amount	874.00	13%	874.00	13%	.00	0%
Property and equipment- at cost	523.04	8%	503.42	7%	19.63	4%
Investment property	1,486.40	22%	1,486.40	22%	.00	0%
Retirement asset	339.37	5%	339.37	5%	.00	0%
Goodwill	702.15	11%	702.15	10%	.00	0%
Other current assets	204.63	3%	198.79	3%	5.84	3%
Total Non Current Assets	**4,302.08**	**65%**	**4,276.62**	**63%**	**25.46**	**1%**
TOTAL ASSETS	**6,661.58**	**100%**	**6,811.94**	**100%**	**-150.36**	**-2%**
LIABILITIES AND EQUITY						
Current Liabilities						
Trade and other liabilities	470.66	7%	486.79	7%	-16.13	-3%
Current portion of notes payable	777.34	12%	787.34	12%	-10.00	-1%
Deposits	7.04	0%	6.95	0%	.09	0%
Income tax payable	.00	0%	.00	0%	.00	#DIV/0!
Total Current Liabilities	**1,255.04**	**19%**	**1,281.08**	**19%**	**-26.05**	**-2%**
Non-current liabilites						
Notes payable- net of current portion	2,007.09	30%	2,028.09	30%	-21.00	-1%
Deferred tax liability	426.51	6%	426.51	6%	.00	0%
Total Non Current Liabilities	**2,433.59**	**37%**	**2,454.59**	**36%**	**-21.00**	**-1%**
Equity						
Capital stock	282.55	4%	282.55	4%	.00	0%
Retained earnings						
Appropriated	200.00	3%	200.00	3%	.00	0%
Unappropriated	177.62	3%	280.93	4%	-103.31	-37%
Revaluation increment	1,946.79	29%	1,946.79	29%	.00	0%
Remeasurement gains on defined benefit liability	226.93	3%	226.93	3%	.00	0%
Unrealized cumulative gain on AFS financial assets	139.07	2%	139.07	2%	.00	0%
Less cost of 720 shares of stock in treasury	-.01	0%	-.01	0%	.00	0%
Total Equity	**2,972.95**	**45%**	**3,076.26**	**45%**	**-103.31**	**-3%**
TOTAL LIABILITIES AND EQUITY	**6,661.58**	**100%**	**6,811.94**	**100%**	**-150.36**	**-2%**

Cash

The decrease in cash by ₱54.0M or 22.6% is due from cash provided by operating activities of ₱62.8M, ₱53.9M net cash used in investing activities and ₱62.9M net cash provided by financing activities.

Inventories

The decrease amounting to ₱160.2M or 41% of the reported ending inventory is due to the sale of raw sugar, alcohol and molasses for the quarter.

Property, Plant and Equipment

The net increase in property, plant and equipment after depreciation amounting to ₱19.63M or 4% is due to the strategic acquisition of various equipment and launch of off-milling repairs program.

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	As of September 30, 2017	As of June 30, 2017
Current ratio	1.88	1.98
Asset-to-equity ratio	2.24	2.21
Debt-to-equity ratio	1.24	1.13
Debt Service Coverage Ratio	-0.14	0.88

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.

CENTRAL AZUCARERA DE TARLAC AND SUBSIDIARY
INTERIM FINANCIAL STATEMENTS IN THOUSAND PESOS

(WITH COMPARATIVE STATEMENTS)

SEPTEMBER 30, 2017

CENTRAL AZUCARERA DE TARLAC AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
(IN THOUSAND PESOS)

	As of September 30, 2017 (Interim)	As of June 30, 2017 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	**184,191.88**	238,194.86
Receivables	**795,860.73**	762,821.16
Inventories	**232,884.66**	393,121.74
Real estate held for sale and development	**988,398.34**	988,398.34
Other current assets	**158,169.84**	152,789.59
Total Current Assets	**2,359,505.45**	2,535,325.68
Noncurrent Assets		
AFS financial assets	**172,489.75**	172,489.75
Property, plant and equipment		
Land- at revalued amount	**874,000.00**	874,000.00
Property and equipment- at cost	**523,042.72**	503,415.72
Investment property	**1,486,400.00**	1,486,400.00
Retirement asset	**339,372.98**	339,372.98
Goodwill	**702,146.25**	702,146.25
Other non current assets	**204,626.98**	198,791.16
Total Noncurrent Assets	**4,302,078.68**	4,276,615.86
TOTAL ASSETS	**6,661,584.13**	6,811,941.54
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Trade and other liabilities	**470,661.28**	486,793.19
Current portion of notes payable	**777,340.04**	787,340.04
Deposits	**7,036.89**	6,951.71
Total Current Liabilities	**1,255,038.21**	1,281,084.93
Noncurrent Liabilities		
Notes payable- net of current portion	**2,007,086.67**	2,028,086.67
Deferred tax liability	**426,506.17**	426,506.17
Total Noncurrent Liabilities	**2,433,592.84**	2,454,592.84
Equity Attributable to Equity Holders of the Parent		
Capital stock - P1 par value per share		
Authorized - 400,000,000 shares		
Issued - 282,545,960 shares	**282,545.96**	282,545.96
Retained earnings		
Appropriated	**200,000.00**	200,000.00
Unappropriated	**177,621.65**	280,932.35
Revaluation increment	**1,946,793.29**	1,946,793.29
Remeasurement gains on defined benefit liability	**226,929.47**	226,929.47
Unrealized cumulative gain on AFS financial assets	**139,069.90**	139,069.89
	2,972,960.27	3,076,270.96
Less cost of 720 shares of stock in treasury	**-7.20**	-7.20
Total Equity	**2,972,953.07**	3,076,263.76
TOTAL LIABILITIES AND EQUITY	**6,661,584.13**	6,811,941.54

CENTRAL AZUCARERA DE TARLAC AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2017
(With Comparative Figures for the Three Months Ended September 30, 2017, 2016 & 2015)
(IN THOUSAND PESOS)

	Unaudited					
	Three Months Ended September 30					
	1st Qtr	**YTD 2017**	1st Qtr	**YTD 2016**	1st Qtr	**YTD 2015**
REVENUES						
Sale of sugar and by-products	208,697.36	**208,697.36**	101,032.17	**101,032.17**	69,415.36	**69,415.36**
Industrial & equipment services	9,757.02	**9,757.02**	9,395.12	**9,395.12**	7,939.73	**7,939.73**
Real estate sale	.00	**.00**	.00	**.00**	.00	**.00**
Total	224,013.38	**224,013.38**	110,427.29	**110,427.29**	77,355.09	**77,355.09**
COST OF GOODS SOLD AND SERVICES						
Costs of goods sold	262,284.17	**262,284.17**	164,109.16	**164,109.16**	123,077.21	**123,077.21**
Costs of tolling services	11,411.66	**11,411.66**	11,262.44	**11,262.44**	9,703.93	**9,703.93**
Cost of services	4,792.34	**4,792.34**	5,787.28	**5,787.28**	3,778.68	**3,778.68**
Total	278,488.17	**278,488.17**	181,158.88	**181,158.88**	136,559.82	**136,559.82**
GROSS INCOME	-54,474.79	**-54,474.79**	-70,731.59	**-70,731.59**	-59,204.73	**-59,204.73**
OPERATING EXPENSES	21,777.51	**21,777.51**	27,960.06	**27,960.06**	19,317.91	**19,317.91**
OTHER INCOME (EXPENSES)						
Interest income	92.18	**92.18**	39.68	**39.68**	576.86	**576.86**
` Interest expense	-31,870.66	**-31,870.66**	-31,222.63	**-31,222.63**	-27,979.59	**-27,979.59**
Other Income(Expense)	4,720.10	**4,720.10**	13,633.10	**13,633.10**	3,379.15	**3,379.15**
Total	-27,058.39	**-27,058.39**	-17,549.85	**-17,549.85**	-24,023.59	**-24,023.59**
INCOME BEFORE INCOME TAX	-103,310.70	**-103,310.70**	-116,241.50	**-116,241.50**	-102,546.23	**-102,546.23**
PROVISION FOR INCOME TAX		**.00**		**.00**		
NET INCOME	-103,310.70	**-103,310.70**	-116,241.50	**-116,241.50**	-102,546.23	**-102,546.23**
Earnings Per Share						
Basic /Dilluted	(0.37)	**(0.37)**	(0.41)	**(0.41)**	(0.36)	**(0.36)**

CENTRAL AZUCARERA DE TARLAC AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR EACH OF THE THREE MONTHS ENDED SEPTEMBER 30, 2017, 2016, 2015
(IN THOUSAND PESOS)

	Capital Stock	Retained Earnings		Revaluation Increment	Remeasurement Gains(Losses) on Defined Benefit	Unrealized Cumulative Gain on AFS Financial Asset	Treasury Stock	Total Equity
		Unappropriated	Appropriated					
Balances at June 30, 2015(As Audited)	282,545.96	17,190.00		1,749,705.25	117,333.24	76,939.99	-7.20	2,243,707.24
Total comprehensive income		-102,546.23						-102,546.23
Balance at September 30, 2015	282,545.96	-85,356.22	.00	1,749,705.25	117,333.24	76,939.99	-7.20	2,141,161.02
Total comprehensive income		279,196.36		86,908.04	373,649.58	549.34	.00	740,303.32
Balance at June 30, 2016 (As Audited)	282,545.96	193,840.14	.00	1,836,613.29	490,982.82	77,489.33	-7.20	2,881,464.33
Total comprehensive income		-116,241.50						-116,241.50
Balance at September 30, 2016	282,545.96	77,598.63	.00	1,836,613.29	490,982.82	77,489.33	-7.20	2,765,222.83
Total comprehensive income		403,333.72		110,180.00	-264,053.35	61,580.56	.00	311,040.93
Appropriation		-200,000.00	200,000.00					.00
Balance at June 30, 2017 (As Audited)	282,545.96	280,932.35	200,000.00	1,946,793.29	226,929.47	139,069.89	-7.20	3,076,263.76
Total comprehensive income		-103,310.70						-103,310.70
Balance at September 30, 2017	**282,545.96**	**177,621.65**	**200,000.00**	**1,946,793.29**	**226,929.47**	**139,069.89**	**-7.20**	**2,972,953.06**

CENTRAL AZUCARERA DE TARLAC AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOW
(IN THOUSAND PESOS)

	Three Months Ended September 30		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	-103,310.70	-116,241.50	-102,546.23
Adjustments for:			
Interest expense	31,870.66	31,222.63	27,979.59
Depreciation and amortization	28,542.26	21,761.21	15,972.22
Interest income	-92.18	-39.68	-576.86
Operating loss before working capital changes	-42,989.95	-63,297.35	-59,171.27
Provisions for (reversal of):			
Decrease (increase) in:			
Receivables	-33,039.57	-27,187.24	-13,265.99
Inventories	160,237.08	72,640.80	41,662.26
Other curent assets	-5,380.25	29,767.46	-13,865.17
Increase (decrease) in:			
Trade and other payables	-16,131.91	5,191.84	-6,557.70
Deposits	85.18	-119.99	682.64
Cash generated from (used for) operations	62,780.58	16,995.52	-50,515.22
Income tax paid	.00	.00	
Net cash provided by (used in) operating activities	62,780.58	16,995.52	-50,515.22
CASH FLOWS FROM INVESTING ACTIVITIES			
Net disposals of (additions to) property, plant and equipme	-48,169.26	-84,571.02	-44,718.00
Decrease (increase) in other noncurrent assets	-5,835.82	8,139.83	-235.16
Interest received	92.18	39.68	576.86
Net cash provided by (used in) investing activities	-53,912.91	-76,391.51	-44,376.31
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Interest	-36,037.32	-32,085.89	-27,922.88
Notes payable	-66,833.33	-21,000.00	-21,000.00
Proceeds from availment of notes payable	40,000.00	80,000.00	100,000.00
Net cash provided by (used) in financing activities	-62,870.65	26,914.11	51,077.12
NET INCREASE (DECREASE) IN CASH	-54,002.98	-32,481.89	-43,814.41
CASH AT BEGINNING OF YEAR	252,839.70	93,948.77	252,839.70
CASH AT END OF YEAR	198,836.72	61,466.88	209,025.29

CENTRAL AZUCARERA DE TARLAC AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS

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

Corporate Information

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

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

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

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

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

Change in Majority Ownership

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

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

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

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

As part of the agreement, CRAHI will settle the outstanding obligation of Jose Cojuangco and Sons, Inc. (JCSI), one of the selling shareholders, to customers amounting to P995.0 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.

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 period.

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

- The contractual arrangements (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 PFRSs, Philippine Accounting Standards (PAS) and Philippine Interpretations from IFRIC which are effective for annual periods beginning July 1, 2016.

PFRS 10 (Amendments), Consolidated Financial Statements, PFRS 12 (Amendments), *Disclosure of Interests in Other Entities, and PAS 28 (Amendments), Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception*
These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value. They also clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture) to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries when applying the equity method.

These amendments are not applicable to the Group since it has no interest in investment entity subsidiary

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

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

The amendments do not have impact on the Group as there has been no interest acquired on a joint operation during the period.

PFRS 14, *Regulatory Deferral Accounts*
PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRSs. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the balance sheet and present movements in these account balances as separate line items in the statement of comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity’s rate-regulation and the effects of that rate-regulation on its financial statements.

These amendments do not have any impact to the Group as it does not have any activities subject to rate-regulation.

PAS 1 (Amendments), *Presentation of Financial Statements - Disclosure Initiative*
The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRSs. The amendments clarify:

- That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions
- That specific line items in the statement of income and other comprehensive income and the balance sheet may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to statement of income.

These amendments do not have any impact to the Group as the disclosures in the consolidated financial statements are already in compliance with the requirement.

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

These amendments are applied prospectively and do not have any impact to the Group given that the Group have not used a revenue based method to depreciate or amortized its property, plant and equipment.

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

The amendments do not apply since the Group do not have any bearer plants.

PAS 27 (Amendments), *Separate Financial Statements - Equity Method in Separate Financial Statements*
The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.

These amendments is applicable to the Parent Company's separate financial statement.

Annual Improvements to PFRSs (2012 - 2014 Cycle)
PFRS 5 (Amendment), *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
Asset (or disposal groups) are generally disposed of either through sale distribution to owners. The amendment is applied prospectively and clarifies that changing from one of these disposal methods to

the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5.

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

PFRS 7 (Amendment) - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
This amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report.

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

PAS 34 (Amendment), *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*
The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time.

These improvements to PFRSs did not have any significant impact on the consolidated financial statements.

<u>New Accounting Standards, Interpretation and Amendments to Existing Standards Effective Subsequent to June 30, 2017</u>
Standards and interpretation 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 and interpretation when they become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards, improvements to PFRSs and new interpretation to have significant impact on the consolidated financial statements.

Effective for Fiscal Year 2018
PAS 7 (Amendments), *Statement of Cash Flows - Disclosure Initiative*
The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

PAS 12 (Amendments), *Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses*
The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted.

Annual Improvements to PFRSs [2014 - 2016 Cycle; Adopted by Financial Reporting Standards Council (FRSC)]

PFRS 12 (Amendment) - *Clarification of the Scope of the Standard*
The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

Effective for Fiscal Year 2019 (Adopted by FRSC)

PFRS 2 (Amendments), *Share-based Payment - Classification and Measurement of Share-based Payment Transactions*
The amendments address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

PFRS 4 (Amendments), *Insurance Contracts - Applying PFRS 9, Financial Instruments, with PFRS 4*
The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in the statement of other comprehensive income, rather than in the statement of income, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

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

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRS. Entities can choose to apply the standard using either a full retrospective approach, with some limited relief provided, or a modified retrospective approach.

The Group is currently assessing the impact of adopting this new standard on its financial statements.

PFRS 15 (Amendments) - *Clarifications to PFRS 15*
The amendments address three of the five topics identified (identifying performance obligations, principal versus agent considerations, and licensing) and provide some transition relief for modified contracts and

completed contracts. It was concluded that it was not necessary to amend PFRS 15 with respect to collectability or measuring non-cash consideration. The Group is currently assessing the impact of adopting this amendment on its financial statements.

PFRS 9, *Financial Instruments*
In July 2014, the final version of PFRS 9 was issued. PFRS 9 replaces PAS 39 and all previous versions of PFRS 9. PFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

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

PAS 40 (Amendments), *Investment Property - Transfers of Investment Property*
The amendments stated that an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

Philippine Interpretation from IFRIC 22, *Foreign Currency Transactions and Advance Consideration*
The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Annual Improvements to PFRSs *(2014 - 2016 Cycle; Adopted by FRSC)*
Amendments to PFRS 1*, First-time Adoption of Philippine Financial Reporting Standards - Deletion of Short-term Exemptions for First-time Adopters*
The amendments deleted the short-term exemptions in paragraphs E3-E7 of PFRS 1 as the reliefs provided under these paragraphs had been available to entities only for reporting periods that had passed.

PAS 28 (Amendments) - *Measuring an Associate or Joint Venture at Fair Value*
The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at FVPL. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

Effective for Fiscal Year 2020
PFRS 16, *Leases*
Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, Leases. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in the statement of income. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value. Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

The Group is currently assessing the impact of adopting this new standard on the consolidated financial statements.

Deferred Effectivity
PFRS 10 (Amendments) and PAS 28 (Amendments) - *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in PFRS 3, between an investor and its associate or joint venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the FRSC postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

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 2014.

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

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization as well as the losses arising from impairment is included in the "Interest income" account in the consolidated statement of income. Loans and receivables are included in current assets if maturity is within twelve (12) months from the balance sheet date. Otherwise, these are classified as noncurrent assets.

This category includes cash and cash equivalents (excluding cash on hand) and receivables.

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

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

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

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

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

<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 arran7gement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

<u>Impairment of Financial Assets</u>
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.

<u>Financial Liabilities</u>

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 March 31, 2016 and 2016, 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.

<u>Offsetting of Financial Instruments</u>
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.

<u>Inventories</u>
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, fertilizers and unused planting supplies, 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.

Biologial Assets and Agricultural Produce
Biological assets are grouped according to their physical state transformation capacity as well as their particular stage in the production process. The Group's biological assets include plant cane, ratoon and seedbed.

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

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

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

Property, Plant and Equipment
Property, plant and equipment, except for land, are stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and amortization and impairment in value, if any. Following initial recognition at cost, land is carried at revalued amount, which is the fair value at the date of the revaluation. Valuations are performed regularly every two (2) years which management believes is sufficient enough to ensure that the fair value of revalued assets does not differ materially from its carrying amount.

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

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

The initial cost of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operations, such as repairs and maintenance and overhaul costs, are normally charged to operations in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property, plant and equipment.

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

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

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

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

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

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

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

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

<u>Investment Property</u>
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.

<u>Impairment of Nonfinancial Assets</u>
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.

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

<u>Provisions</u>
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

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

<u>Revenue</u>
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, locator fees, equipment services and rentals and contract growing services 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, contract growing services and equipment services are recognized when incurred.

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

Income Taxes

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

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

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

Deferred income tax assets are recognized for all deductible temporary differences and carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax and net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and tax losses can be utilized except:

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

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

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

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

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

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

- where the VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of VAT included.

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

<u>Operating Leases</u>
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 give rise to the reassessment for scenarios (a), (c), or (d) above, and at the date of renewal or extension period for scenario (b).

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

<u>Retirement Cost</u>

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

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

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

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

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

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

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

<u>Termination Benefits</u>

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

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

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

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

An operating segment is a component of an entity:

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

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

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

Diluted earnings (losses) per share is computed in the same manner, adjusted for the effect of any potential dilutive shares. As the Group has no dilutive potential common shares outstanding, basic and diluted EPS are the same.

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

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

5. **Summary of Significant Accounting Judgments, Estimates and Assumptions**

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

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

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

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

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

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

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

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

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

In 2016, 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 September 30, 2017 amounted ₱1,486.4 million and ₱874.0 million, respectively.

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.

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 12).

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 in 2017 and 2016 amounted to ₱9.1 million and ₱8.9 million respectively. The carrying amounts of receivables as at September 30, 2017 and June 30, 2017 amounted ₱ 795.9 million and ₱762.8 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.

Provision for inventory obsolescence amounting to ₱0.1 million in 2017 and nil in 2016 and 2015 was recognized. Reversal of inventory obsolescence amounted to ₱2.4 million in 2016 and nil in 2017 and 2015. The carrying amounts of inventories as at September 30, 2017 and June 30, 2017 amounted to ₱232.9 million and ₱393.1 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 2017, 2016 and 2015. The carrying amounts of AFS financial assets as at September 30, 2017 and June 30, 2017 amounted to ₱172.5 million (see Note 13).

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.

The carrying amounts of inventories as of September 30, 2017 and June 30, 2017 amounted to ₱232.9 million and ₱393.1 million, respectively (see Note 9).

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 September 30, 2017 and June 30, 2017 amounted to ₱874.0 million. The fair value of land under Investment property as at September 30, 2017 and June 30, 2017 amounted to ₱1,486.4 million.

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 September, 2016 and June 30, 2016. The carrying values of property, plant and equipment carried at cost as at September 30, 2017 and June 30, 2017 amounted to ₱523.0 million and ₱503.4 million, respectively (see Note 14).

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

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

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

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

There were no provision for impairment losses recognized in 2017, 2016 and 2015.

There were no provision for impairment losses recognized in 2017, 2016 and 2015. The fair values of land under property plant and equipment as at September 30, 2017 and June 30, 2017 amounted ₱874.0 million. The carrying amounts of property, plant and equipment carried at cost as at September 30, 2017 and June 30, 2017 amounted to ₱523.0 million and ₱503.4 million, respectively (see Note 14). The carrying amounts of other noncurrent assets as at September 30, 2017 and June 30, 2017 amounted to ₱204.6 million and ₱198.8 million, respectively (see Note 17). Goodwill recognized as of September 30, 2017 and June 30, 2017 amounted to ₱702.1 million. (see Note 12)

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

The Parent Company's deferred income tax assets arising from temporary differences as at June 30, 2017 and 2016 amounted to ₱26.1 million and ₱31.6 million, respectively. Unrecognized deferred income tax assets arising from temporary differences, NOLCO and MCIT of the Subsidiary amounted to ₱75.3 million and ₱111.4 million as at June 30, 2017 and 2016, respectively.

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.

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.

	Sugar and by products	**Real Estate**	**Eliminations**	**Total**
Revenues	214,256.36	9,757.02		224,013.38
Cost of goods sold and services	273,695.83	4,792.34		278,488.17
Gross income	-59,439.47	4,964.68	.00	-54,474.79
Operating expenses	18,963.87	2,813.64		21,777.51
Other income (expenses)				
Interest expense	-31,676.01	-16,298.10	16,103.44	-31,870.66
Interest income	16,143.56	52.06	-16,103.44	92.18
Other income - net	4,720.09	.00		4,720.09
Segment income before income tax	**-89,215.69**	**-14,095.01**	**.00**	**-103,310.70**
Segment assets	**6,720,677.84**	**838,876.94**	**-857,970.65**	**6,701,584.13**
Segment liabilities	**3,616,966.16**	**1,721,549.19**	**-1,609,884.30**	**3,728,631.06**

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

7. **Cash and Cash Equivalent**

This account consists of:

	As of September 30, 2017	As of June 30, 2017
Cash on hand	**1,117.11**	1,117.16
Cash in banks	**222,929.92**	236,932.85
Cash equivalents	**144.85**	144.85
	224,191.88	238,194.86

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

Interest income earned from cash in banks and cash equivalents amounted to ₱.09 million as of September 30, 2017 and ₱.6 million as of June 30, 2017

8. **Receivables**

This account consists of:

	As of September 30, 2017	As of June 30, 2017
Trade:		
Non-affiliates	**141,529.95**	145,366.12
Affiliates	**.00**	.00
Nontrade:		
Due from related parties	**552,433.74**	515,507.58
Planters' receivables	**5,678.15**	5,678.15
Advances to:		
Directors, officers and employees	**6,359.00**	7,688.39
Tarlac Development Corporation (TDC)	**30,436.88**	30,436.88
Jose Cojuangco and Sons Inc. (JCSI)	**14,600.76**	14,600.76
CAT Realty Corporation (CRC)	**15,422.54**	15,422.54
Luisita Golf and Country Club, Inc. (LGCC	**14,202.05**	13,006.96
Others	**24,301.44**	24,217.57
	804,964.51	771,924.93
Less allowance for doubtful accounts - nontrade	9,103.78	9,103.78
	795,860.73	**762,821.16**

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

Planters' receivables are subject to interest at 12% per annum in 2016.

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.

Others consist of receivables with various insignificant amounts.

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

	September 30, 2017		
	Trade	**Non Trade**	**Total**
Balance at beginning of year	3,977.25	5,126.52	9,103.78
Provisions during the year			.00
Reversals/write off			.00
Balance	**3,977.25**	**5,126.52**	**9,103.78**

	June 30, 2017		
	Trade	**Non Trade**	**Total**
Balance at beginning of year	4,189.05	4,765.44	8,954.49
Provisions during the year	40.67	361.08	401.76
Reversals/write off	-252.47		-252.47
Balance	**3,977.25**	**5,126.52**	**9,103.78**

9. Inventories

This account consists of:

	As of September 30, 2017	As of June 30, 2017
At cost:		
Alcohol	**100,218.97**	154,156.87
Raw sugar	**.00**	87,193.24
Molasses	**88,209.56**	95,086.98
At NRV:		
Spare parts and supplies	**44,456.13**	56,684.65
	232,884.66	393,121.74

Allowance for inventory obsolescence amounted to ₱4.9 as at September 30, 2017 and June 30, 2017.

10. Real Estate Held for Sale and Development

This account consists of:

	As of September 30, 2017	As of June 30, 2017
Land held for development	**981,516.36**	981,516.36
Land available for sale	**6,881.98**	6,881.98
	988,398.34	988,398.34
	-	-

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. There are no additions and sale since the date of acquisition of Subsidiary.

11. Other Current Assets

This account includes:

	As of September 30, 2017	As of June 30, 2017
Advances to suppliers	**127,226.73**	123,000.92
CWT	**21,265.14**	18,101.69
Prepaid tax	**7,292.78**	8,538.33
Prepaid insurance	**1,771.26**	1,850.85
Others	**613.93**	1,297.81
	158,169.84	152,789.59

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

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

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

Input VAT 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.

12. Goodwill

As at June 30, 2017 and 2016, the recoverable amount, calculated through value in use, of the CGU where the goodwill is attributed exceeded the carrying amount of the CGU including goodwill. CGU pertains to the Parent Company's investment in LLC. Value in use was derived using cash flow projections based on financial budgets approved by senior management covering a five-year period and the expected realization of the Group's land inventory. Cash flow beyond the five-year period are extrapolated using a 5.00% growth rate. Discount rate applied to the cash flow projections in determining value in use is 10.18% and 4.74% in 2017 and 2016, respectively

The calculations of value in use of goodwill are most sensitive to the following assumptions:

- Discount rates - Discount rates were derived from the Group's weighted average cost of capital and reflect management's estimate of risks within the CGU. This is the benchmark used by the management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates, regard has been given to various market information, including, but not limited to, ten-year government bond yield, bank lending rates and market risk premium and country risk premium.

- Growth rate estimates - The long-term rate used to extrapolate the budget for the investee companies excludes expansions and possible acquisitions in the future. Management also recognizes the possibility of new entrants, which may have significant impact on existing growth rate assumptions. Management however, believes that new entrants will not have a significant adverse impact on the forecast included in the budget.

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

The details of AFS financial assets are as follows:

	As of September 30, 2017	As of June 30, 2017
Proprietary shares	**171,800.00**	171,800.00
Investment in shares of stock:		
Listed	**527.75**	527.75
Unlisted	**162.00**	162.00
	172,489.75	172,489.75

The movements in this account are as follows:

	As of September 30, 2017	As of June 30, 2017
At beginning of year	**172,489.75**	104,066.90
Change in fair value of AFS investments	**.00**	68,422.85
	172,489.75	172,489.75

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 ₱166.8 million as at September 30, 2017 and June 30, 2017 are used as collateral for the Group's loans.

There were no sale or purchase transactions on the Group's AFS financial assets as at September 30, 2017.

14. **Property, Plant and Equipment**

Movements in this account are summarized below:

September 30, 2017

	Machinery and equipment	Agricultural machinery and equipment	Land improvements	Buildings and improvements	Transportation equipment	Furniture, fixtures and equipment	Communication and utility systems	Roads and bridges	Construction in-progress	Total
Cost:										
Balances at beginning of year	**1,519,736.31**	**87,081.16**	**85,556.00**	**142,394.19**	**26,424.26**	**44,609.32**	**7,973.88**	**12,350.55**	**21,354.53**	**1,947,480.20**
Additions	**2,905.40**	**7,232.40**	**5.00**	**48.42**	**2,368.46**	**278.32**	**.00**	**.00**	**84,763.68**	**97,601.67**
Disposal	**.00**	**.00**	**.00**	**.00**	**.00**	**.00**	**.00**	**.00**	**-49,430.61**	**-49,430.61**
Reclassifications	**.00**	**.00**	**.00**	**.00**	**.00**	**.00**	**.00**	**.00**	**.00**	**.00**
Balances at end of year	**1,522,641.71**	**94,313.56**	**85,561.00**	**142,442.60**	**28,792.71**	**44,887.64**	**7,973.88**	**12,350.55**	**56,687.61**	**1,995,651.27**
Accumulated depreciation and amortization:										
Balances at beginning of year	**1,214,620.46**	**15,859.40**	**41,749.31**	**109,721.14**	**8,105.21**	**34,481.65**	**7,176.78**	**12,350.54**	**–**	**1,444,064.48**
Depreciation and amortization (see Notes 20, 21, 22, 23 and 24)	**21,501.35**	**3,365.52**	**386.79**	**1,773.36**	**642.59**	**798.66**	**75.80**	**.00**	**.00**	**28,544.07**
Disposal	**.00**	**.00**	**.00**	**.00**	**.00**	**.00**	**.00**	**.00**	**.00**	**.00**
Balances at end of year	**1,236,121.82**	**19,224.92**	**42,136.10**	**111,494.49**	**8,747.80**	**35,280.31**	**7,252.57**	**12,350.54**	**.00**	**1,472,608.55**
Net book values	**286,519.89**	**75,088.64**	**43,424.90**	**30,948.11**	**20,044.91**	**9,607.33**	**721.31**	**.02**	**56,687.61**	**523,042.72**

June 30, 2017

	Machinery and equipment	Agricultural machinery and equipment	Land improvements	Buildings and improvements	Transportation equipment	Furniture, fixtures and equipment	Communication and utility systems	Roads and bridges	Construction in-progress	Total
Cost:										
Balances at beginning of year	1,414,362.75	49,385.73	85,284.96	132,697.53	22,998.44	40,224.93	7,557.48	12,350.55	9,529.54	1,774,391.90
Additions	98,733.96	37,695.44	271.04	9,654.34	3,425.82	4,384.39	416.40	.00	18,551.56	173,132.94
Disposal	-44.64	.00	–	–	.00	–	.00	.00	.00	-44.64
Reclassifications	6,684.25	.00	–	42.32	.00	–	.00	.00	-6,726.57	.00
Balances at end of year	1,519,736.31	87,081.16	85,556.00	142,394.19	26,424.26	44,609.32	7,973.88	12,350.55	21,354.53	1,947,480.20
Accumulated depreciation and amortization:	1,140,448.85	5,358.59	40,281.50	103,541.91	5,923.85	30,424.71	6,916.72	12,350.54	.00	1,345,246.67
Balances at beginning of year										
Depreciation and amortization (see Notes 20, 21, 22, 23 and 24)	74,179.90	10,500.80	1,467.82	6,179.23	2,181.37	4,056.94	260.05	.00	.00	98,826.10
Disposal	-8.29	.00	.00	.00	.00	.00	.00	.00	.00	-8.29
Balances at end of year	1,214,620.46	15,859.40	41,749.31	109,721.14	8,105.21	34,481.65	7,176.78	12,350.54	–	1,444,064.48
Net book values	**305,115.85**	**71,221.77**	**43,806.69**	**32,673.05**	**18,319.05**	**10,127.67**	**797.10**	**.02**	**21,354.53**	**503,415.72**

15. **Land**

The fair value of land as at September 30, 2017 and June 30, 2017 amounted to ₱874.0 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, 2017. 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.

Movements in this account are summarized below:

	As of September 30, 2017	**As of June 30, 2017**
At beginning of year	874,000.00	716,600.00
Revaluation Increment		157,400.00
	874,000.00	**874,000.00**

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

	As of September 30, 2017	**As of June 30, 2017**
At beginning of year	1,946,793.29	1,836,613.29
Revaluation increment		110,180.00
	1,946,793.29	**1,946,793.29**

Real properties included under *Property Plant and Equipment* and *Investment Property* with aggregate carrying value of ₱2,360.0 million as at June 30, 2017 are used as collateral to secure the Company's notes payable.

16. **Investment Property**

Movements in land at fair value recognized under investment property are summarized below:

	As of September 30, 2017	**As of June 30, 2017**
Balances at beginning of year	1,486,400.00	1,357,400.00
Fair value change of investment property		129,000.00
	1,486,400.00	**1,486,400.00**

The fair value, categorized as Level 3, is based on valuations determined by an independent appraiser, accredited by the SEC, as of June 30, 2017. 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:

	As of September 30, 2017	As of June 30, 2017
Advances for land maintenance	**170,858.89**	170,858.89
Deferred charges	**27,986.35**	23,674.60
Recoverable deposits	**5,761.75**	4,237.68
Other investments	**20.00**	20.00
	204,626.98	198,791.16

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

18. **Trade and Other Payables**

This account consists of:

	As of September 30, 2017	As of June 30, 2017
Trade payables	**220,148.02**	226,406.89
Accruals:		
Freight and transportation	**42,256.46**	43,923.84
Interest and penalties	**30,018.24**	31,202.71
Spare parts, supplies and inventory cost	**27,809.97**	28,907.32
Taxes	**6,289.83**	6,538.02
Repairs and maintenance	**27,589.03**	28,677.66
Professional fees	**2,781.92**	2,891.69
Salaries, wages and other benefits	**2,349.32**	2,442.02
Others	**29,212.53**	30,365.22

Advances from related parties	**13,025.17**	13,025.17
Estimated liability for cash surrender value	**2,527.35**	2,527.35
Customers' advances	**1,658.31**	1,658.31
Other payables	**64,995.13**	68,226.99
	470,661.28	486,793.19

Trade payables are noninterest-bearing and generally settled or have a 30 days term. As at September 30, 2017, all trade payables are current and expected to be paid within one year period.

Accruals are settled throughout the financial year.

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

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:

	As of September 30, 2017	As of June 30, 2017
Customers' deposits	**4,474.27**	4,364.09
Construction deposits	**2,562.61**	2,587.61
	7,036.89	6,951.70

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:

Short-term notes		
Local banks	**742,683.30**	753,333.33
Promissory notes	**19,585.79**	19,585.79
	762,269.09	772,919.12

₱820.0 million Working Capital Facilities Agreement (WCFA)

Under the loan agreement, the Parent Company entered into a WCFA with BDO. Under the agreement, the Parent Company can withdraw up to ₱820.0 million at 4.25% interest rate per annum.

The promissory 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 ₱8.0 million and ₱27.1 million as at September 30, 2017 and June 30, 2017 respectively.

Long-term notes	**As of September 30, 2017**	As of June 30, 2017
Local banks	**2,037,000.00**	2,058,000.00
Less deferred financing cost	**14,842.37**	15,492.41
	2,022,157.63	2,042,507.59
Less current portion	**15,070.95**	14,420.92
	2,007,086.67	2,028,086.67

Notes payable to local banks
On October 15, 2014, the Parent Company obtained a long-term interest-bearing loan from a Banco de Oro Unibank, Inc. (BDO) amounting to ₱2.1 billion. Net proceeds from the loan amounted to ₱2.1 billion 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 ₱1.1 billion each for the purposes of interest computation. Series A incurs 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 at September 30, 2017 and June 30, 2017, the interest expense related to this loan amounted to ₱26.0 million and ₱110.9 million respectively.

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

Fiscal Year	Amount
2017	**21,000.00**
2018	**21,000.00**
2019	**2,016,000.00**
	2,058,000.00

The 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.

The Group's land, recognized as property, plant and equipment and investment property, with carrying value of ₱2.4 billion as at September 30, 2017 and June 30, 2017, are used as collateral to secure the Parent Company's obligation under the term of this long-term bank notes

21. **Costs of Goods Sold**

This account consists of:

	Three Months Ended September 30		
	2017	**2016**	**2015**
Salaries, wages bonuses and other benefits	**13,562.41**	13,747.86	10,943.39
Repairs & Maintenance	**35,528.20**	38,602.43	36,252.29
Inventory cost,spare parts and supplies	**159,761.73**	73,743.46	51,668.81
Depreciation and amortization	**25,268.33**	19,242.66	13,889.91
Freight and transportation	**781.03**	608.53	418.95
Security and outside services	**8,863.46**	9,776.31	1,590.51
Power and steam	**13,068.03**	4,965.62	5,174.44
Insurance	**1,535.16**	822.98	1,323.90
Taxes and licenses	**565.28**	254.69	477.17
Others	**3,350.53**	2,344.63	1,337.83
	262,284.17	164,109.16	123,077.21

22. **Costs of Tolling Services**

This account consists of:

	Three Months Ended September 30		
	2017	**2016**	**2015**
Salaries, wages bonuses and other benefits	**2,177.09**	2,505.01	1,482.54
Repairs & Maintenance	**5,520.55**	6,047.58	5,918.81
Spare parts and supplies	**1.48**	29.28	.00
Depreciation and amortization	**1,773.26**	1,067.66	862.26
Freight and transportation	**514.91**	117.00	116.27
Security and outside services	**353.05**	351.32	.00
Power and steam	**219.99**	660.66	470.42
Insurance	**199.96**	81.32	271.18
Taxes and licenses	**580.34**	393.15	573.71
Others	**71.04**	9.45	8.75
	11,411.66	11,262.44	9,703.93

23. **Cost of Services**

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

	Three Months Ended September 30		
	2017	**2016**	**2015**
Salaries, wages bonuses and other benefits	**947.21**	1,083.70	330.50
Repairs & Maintenance	**492.49**	423.76	594.08
Materials	**214.93**	144.37	104.62
Depreciation and amortization	**517.78**	502.12	591.63
Security and outside services	**855.60**	860.22	647.27
Freight & transportation	**18.50**	.16	.00
Retirement	**.00**	780.89	.00
Power and steam	**1,224.92**	1,115.07	1,090.20
Insurance	**2.44**	4.27	4.90
Taxes and licenses	**128.27**	114.78	131.03
Others	**390.20**	757.95	284.47
	4,792.34	5,787.28	3,778.68

24. **Operating Expenses**

This account consists of:

	Three Months Ended September 30		
	2017	**2016**	**2015**
Salaries, wages bonuses and other benefits	**6,294.91**	8,392.50	6,903.38
Repairs & Maintenance	**724.03**	2,293.75	731.73
Management fees nd bonuses	**118.93**	140.00	.00
Taxes and licenses	**2,540.08**	1,098.37	2,284.33
Depreciation and amortization	**982.90**	948.77	628.43
Transportation and travel	**1,905.37**	1,762.14	1,156.77
Security and outside services	**1,979.97**	1,071.39	154.73
Rentals	**584.69**	695.19	1,010.50
Light and water	**122.50**	91.42	60.21
Retirement	**.00**	417.17	.00
Entertainment, amusement and recreation	**322.87**	971.24	440.67
Professional fees	**4,596.59**	7,154.35	4,978.55
Dues and advertisements	**110.64**	162.01	480.03
Postage, telephone and telegram	**173.67**	203.02	169.48
Others	**1,320.39**	2,558.74	319.10
	21,777.51	27,960.06	19,317.91

25. **Nature of Expense**

Depreciation and amortization included in the consolidated statements of comprehensive income are as follows:

	Three Months Ended September 30		
	2017	**2016**	**2015**
Cost of goods sold (see Note 21)	**25,268.33**	19,242.66	13,889.91
Cost of tolling services (see Note 22)	**1,773.26**	1,067.66	862.26
Cost of industrial services (see Note 23)	**517.78**	502.12	591.63
Operating expenses (see Note 24)	**982.90**	948.77	628.43
	28,542.26	21,761.21	15,972.22

Personnel expenses included in the consolidated statements of comprehensive income are as follows:

	Three Months Ended September 30		
	2017	**2016**	**2015**
Cost of goods sold			
Salaries, wages, bonuses and other benefits	**13,562.41**	13,747.86	10,943.39
Cost of tolling services			
Salaries, wages, bonuses and other benefits	**2,177.09**	2,505.01	1,482.54
Cost of industrial services			
Salaries, wages, bonuses and other benefits	**947.21**	1,083.70	330.50
Operating expenses			
Salaries, wages, bonuses and other benefits	**6,294.91**	8,392.50	6,903.38
	22,981.61	25,729.07	19,659.80

26. **Retirement Asset**

The Parent Company maintains a tax-qualified, funded, noncontributory defined benefit retirement plan covering substantially all of its permanent employees. The Subsidiary however, provides for estimated retirement benefits required to be recognized under Republic Act (RA) 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.

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 R. A. No. 7641, Retirement Pay Law.

27. **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, 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.

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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.

Lease Agreement
On December 1, 2014, the Parent Company transfers it 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 ₱0.85 million and ₱0.76 million respectively.

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 2016.

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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, 2017 and 2016, 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 Philippine 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.

On June 15, 2016, the BOD of the Parent Company authorized a ten-for-one stock split to increase the number of shares of stock and decrease the par value that took effect on October 18, 2016.

	Prior to Amendment			After Amendments		
	Authorized Capital	Number of Shares	Par Value	Authorized Capital	Number of Shares	Par Value
Common Stock	40,000,000	28,254,596	10	400,000,000	282,545,960	1

The total number of shareholders is 400 as at June 30, 2017.

Retained Earnings

As at June 30, 2017, the Group appropriated its retained earnings amounting to ₱200.0 million for the costs expected to be incurred in relation to its planned maintenance on its milling facility. These activities are expected to be completed over a period of two years.

Basic/diluted Earnings Per Share

The basic/diluted earnings per share for the years ended September 30, 2017 and June 30, 2017 are computed as follows:

	As of September 30, 2017	**As of June 30, 2017**
Net Income	-103,310.70	287,092.21
Weighted average number of shares		
Issued	282,545.96	282,545.96
Less treasury shares	7.20	7.20
	282,538.76	282,538.76
Basic/diluted earnings per share	**-₱0.37**	**₱1.02**

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 September 30, 2017 and June 30, 2017. There are no movements in the Group's treasury shares in 2016.

30. **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 as of June 30, 2017:

	2017			
	Fair Value Measurement Using			
	Quoted Prices in Active Markets (Level 1)	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Asset Measered At Fair Value				
Property, plant and equipment				
Land			874,000.00	874,000.00
Investment Property			1,486,400.00	1,486,400.00
AFS Financial assets - quoted	172,327.75			172,327.75
	172,327.75	**.00**	**2,360,400.00**	**2,532,727.75**

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

- *Sale/Asking price per sq. m.* This pertains to the sale/asking price per square meter based on the listing prices of comparable properties.

- *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 Group's land as regards to 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	**Amounts or Percentage of Unobservable Inputs**	**Relationship of Unobservable Inputs to Fair value**
Weighted average value per s.q.m.	P450 to P 1,200	The higher the value the higher the fair value
Conditions on sale of comparable properties	Up to +/- 15%	The more onerous the conditions in contract of sale of comparable)perties, the higher the fair value
Physical Adjustments	Up to +/- 30%	The superiority of the quality of e Company's land, the higher the fair value

Fair value of all other assets and liabilities approximates their carrying values as of June 30, 2017 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, 2017 and 2016.

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

<u>AFS Financial Assets</u>
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.

<u>Notes Payable</u>
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 3 are determined based on estimated cash flows with discount rates ranging from 4.8% to 6.0% as at June 30, 2017 and 2016

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.

31. **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 September 30, 2017 and June 30, 2017 based on undiscounted payments:

	September 30, 2017			
	Within 30 Days	Within 1 Year	Above 1 Year	Total
Notes payable including interes	31,778.49	777,340.04	2,007,086.67	**2,816,205.20**
Trade including interest	93,903.03	126,244.99		**220,148.02**
Due to related parties		13,025.17		**13,025.17**
Accruals		168,307.31		**168,307.31**
Others		64,995.13		**64,995.13**
	125,681.52	**1,149,912.64**	**2,007,086.67**	**3,282,680.83**

	June 30, 2017			
	Within 30 Days	Within 1 Year	Above 1 Year	Total
Notes payable including interes	40,395.46	197,125.36	2,168,921.65	2,406,442.47
Trade including interest	96,572.72	129,834.17		226,406.89
Due to related parties	.00	13,025.17		13,025.17
Accruals	.00	166,305.13		166,305.13
Others	1,599.94	68,285.36		69,885.29
	138,568.12	574,575.18	2,168,921.65	2,882,064.95

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:

	September 30, 2017			
	Within 30 Days	**Within 1 Year**	**Above 1**	**Total**
Cash and cash equivalents*	223,074.77			223,074.77
Receivables:				
Trade	3,716.95	120,181.53		123,898.48
Receivable from real estate contractors		903.42	16,728.04	17,631.46
Planter's receivables		5,678.15		5,678.15
Due from related parties		552,433.74		552,433.74
Advances		81,021.23		81,021.23
AFS financial assets:				
Proprietary	171,800.00			171,800.00
Listed	527.75			527.75
Unlisted	182.00			182.00
	399,301.47	**760,218.07**	**16,728.04**	**1,176,247.58**

**Excluding cash on hand*

	June 30, 2017			
	Within 30 Days	**Within 1 Year**	**Above 1**	**Total**
Cash and cash equivalents*	238,194.86			238,194.86
Receivables:				.00
Trade	95,647.95	33,090.96		128,738.91
Receivable from real estate contractors	-		16,728.04	16,728.04
Planter's receivables	-	5,678.15		5,678.15
Due from related parties	-	515,507.58		515,507.58
Advances	-	81,155.52		81,155.52
AFS financial assets:				.00
Proprietary	171,800.00			171,800.00
Listed	527.75			527.75
Unlisted	182.00			182.00
	506,352.55	**635,432.21**	**16,728.04**	**1,158,512.80**

**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:

	As of September 30, 2017	As of June 30, 2017
Cash and cash equivalents*	223,074.77	236,857.25
Receivables:		
Trade	123,898.48	128,738.91
Receivable from real estate c	17,631.46	16,728.04
Non-trade		
Planter's receivables	5,678.15	5,678.15
Due from related parties	552,433.74	515,507.58
Advances	81,021.23	81,155.52
Others	24,301.44	24,116.74
AFS financial assets:		
Proprietary	171,800.00	171,800.00
Listed	527.75	527.75
Unlisted	182.00	182.00
	1,200,549.03	1,181,291.94

**Excluding cash on hand*

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

As at September 30, 2017 and June 30, 2017, the analysis of receivables is as follows:

	September 30, 2017					
			Past Due but not Impaired			
	Total	**Neither Past Due nor Impaired**	**30 Days**	**90 Days**	**More than 150 Days**	**Impaired**
Trade	123,898.48	123,745.00				153.48
Receivable from real estate contractors	17,631.46	13,807.69				3,823.77
Planter's receivables	5,678.15		5,678.15			
Due from related parties	552,433.74				552,433.74	
Advances	81,021.23	6,964.52			68,930.18	5,126.52
Others	24,301.44	24,301.44			.00	
	804,964.51	**168,818.66**	**5,678.15**	**.00**	**621,363.92**	**9,103.78**

	June 30, 2017					
	Total	Neither Past Due nor Impaired	Past Due but not Impaired 30 Days	90 Days	More than 150 Days	Impaired
Trade	124,030.11	123,876.63				153.48
Receivable from real estate cor	21,336.01	687.98		22.80	16,801.45	3,823.77
Planter's receivables	5,678.15		5,678.15			
Due from related parties	515,507.58				515,507.58	
Advances	81,155.52	7,098.82			68,930.18	5,126.52
Others	24,217.57	23,051.18			1,166.39	
	771,924.93	**154,714.60**	**5,678.15**	**22.80**	**602,405.60**	**9,103.78**

As at September 30, 2017 and June 30, 2017, the credit analyses of the Group's financial assets are as follows:

	September 30, 2017 Grade High	Standard	Total
Loans and receivables:			
Cash and cash equivalents*	223,074.77	.00	223,074.77
Trade receivables	123,745.00	.00	123,745.00
Receivable from real estate	13,807.69	.00	13,807.69
Advances	6,964.52	.00	6,964.52
Others	24,301.44	.00	24,301.44
AFS financial assets:			
Proprietary	171,800.00	.00	171,800.00
Listed	527.75	.00	527.75
Unlisted		182.00	182.00
	564,221.18	**182.00**	**564,403.18**

**Excluding cash on hand*

	June 30, 2017 Grade High	Standard	Total
Loans and receivables:			
Cash and cash equivalents*	237,077.70	.00	237,077.70
Trade receivables	123,876.63	.00	123,876.63
Receivable from real estate	687.98	.00	687.98
Advances	7,098.82	.00	7,098.82
Others	23,051.18	.00	23,051.18
AFS financial assets:			
Proprietary	171,800.00	.00	171,800.00
Listed	527.75	.00	527.75
Unlisted		182.00	182.00
	564,120.05	**182.00**	**564,302.05**

**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.

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.

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

Since the beginning of the 2016-17 season, the International Sugar Organization (ISO) has been projecting that the year will be the second season of a significant statistical deficit, with an anticipated massive 11.1 million metric tons drop in global inventories and augurs well for a strong world market prices. True enough, world market prices (Market No. 11) hovered at more than 20 cents per pound up until February 2017. Thereafter, prices remained under downward pressure as analysts begins to realize that the expected significant production deficit will not materialize due to the higher final world production output. Hereunder is the latest world sugar balance figure:

	World Sugar Balance (Million tons, raw value)			
	2016-17	2015-16	Change	
			in mln t	in percent
Production	167.773	165.840	1.933	1.17%
Consumption	171.633	171.584	0.049	0.03%
Surplus/(Deficit)	(3.860)	(5.744)		
Import Demand	60.115	58.362	1.753	3.00%
Export Availability	60.234	58.501	1.733	2.96%
End Stocks	87.364	82.561	4.803	5.82%
Stock/Consumption Ratio, in percent	**50.90%**	**48.12%**		

The high domestic prices of sugar in the country in 2015-16 season resulted in the expansion of the area planted to cane for harvesting in the following 2016-17 season. The area planted to cane expanded by an estimated 10,560 hectares to 423,995 hectares. Coupled with a generally more favorable weather that prevailed during the year, the country's average yield per hectare grew by about 9%, from 108.31 tons cane to 117.95 tons cane per hectare. These resulted to a higher total cane haulage for the season of 28,005,461 tons cane vs. 23,254,083 tons cane, albeit at a slightly lower recovery rate of 1.79 vs. 1.93 50-kilogram bags of raw sugar per ton cane milled.

The nation's total raw sugar production for the season reached 2,500,509 tons, up by 11.69% from last year's 2,238,872 tons. Almost all of the country's major sugar producing areas posted higher output with the exception of Eastern Visayas which posted a drop in production of about 3,762 tons or 6.40% to a total of 54,970 tons. The raw sugar output from Luzon rose by 13,742 tons or 5.73% to 253,468 tons, Negros by 172,737 tons or 12.74% to 1,528,302 tons, Panay by 19,936 tons or 11.99% to 186,276 tons and finally Mindanao by 58,984 or 14.09% to 477,493 tons.

CANE TONNAGE - PHILIPPINES - CY 2016-17 & CY 2015-16						
MILLS	**TONS CANE MILLED**				**% SHARE IN TOTAL**	
	2016-17	**2015-16**	**GROWTH**	**%**	**2016-17**	**2015-16**
LUZON						
Cagayan	184,679	212,594	(27,915)	-13.13%	0.66%	0.91%
Bicol	180,066	193,508	(13,442)	-6.95%	0.64%	0.83%
Batangas	1,854,037	1,750,050	103,987	5.94%	6.62%	7.53%
Pampanga	191,475	166,260	25,215	15.17%	0.68%	0.71%
Tarlac	617,142	526,542	90,600	17.21%	2.20%	2.26%
VISAYAS						
Panay	2,305,722	1,855,985	449,737	24.23%	8.23%	7.98%
Eastern Visayas	700,926	663,386	37,540	5.66%	2.50%	2.85%
Negros	16,707,345	13,973,558	2,733,787	19.56%	59.66%	60.09%
MINDANAO	5,264,069	3,912,200	1,351,869	34.56%	18.80%	16.82%
Total	**28,005,461**	**23,254,083**	**4,751,378**	**20.43%**	**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 Sweet Crystal, a Pampanga-based mill, the lion's share of 76.32% or 617,142 tons was milled in CAT. This year's total canes hauled by CAT represents an increase of 17.21% or 90,599 tons from the previous 526,543 tons cane.

CANE TONNAGE - CENTRAL LUZON - CY 2016-17 & CY 2015-16						
MILLS	**TONS CANE MILLED**				**% SHARE IN TOTAL**	
	2016-17	**2015-16**	**GROWTH**	**%**	**2016-17**	**2015-16**
Sweet Crystal	191,475	166,260	25,215	15.17%	23.68%	24.00%
Tarlac	617,142	526,542	90,600	17.21%	76.32%	76.00%
Total	**808,617**	**692,802**	**115,815**	**16.72%**	**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 27 (pages 46-47) 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 0.05-0.10% 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, 2017, following is the employee details:

	Exec./Mgrl./Supv.		Rank/File		Retainer/	Total
	Perm.	Prob.	Perm.	Prob.	Consultant	
CAT- TARLAC	85	0	198	0	14	297
CAT- MAKATI	10	0	3	0	3	16
LLC	4	0	4	0	0	8
TOTAL	**99**	**0**	**205**	**0**	**17**	**321**

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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CERTIFICATION OF INDEPENDENT DIRECTOR

I, **BENJAMIN I. ESPIRITU** Filipino, of legal age with postal address at 1707 Prestige Tower, F. Ortigas Jr. Road, Ortigas Center, Pasig City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of CENTRAL AZUCARERA DE TARLAC and have been its independent director since 29 October 2013.

2. I am affiliated with the following companies or organizations:

COMPANY/ORGANIZATION	POSITION/ RELATIONSHIP	PERIOD OF SERVICE
Risks, Opportunities, Assessment and Management (ROAM), Inc.	President & CEO	Since 2014
Change Management International Inc.	President & CEO	Since 1998
Ormin Realty Corporation	Chairman & CEO	Since 2000
Konstruktura Development Resources Corp.	Chairman & President	Since 2015
Banco de Mindoro, Inc.	Chairman of the Board	Since 2005
Pamantasan Ng Lungsod Ng Maynila	Chairman of the Board of Regents	Since 2016
Ospital ng Maynila	Chairman of the Board of Trustees	Since 2016
InstraStrata Assurance Corporation	Director	Since 2015
Dizon Copper-Silver Mines Inc.	Independent Director	Since Dec. 16, 2015

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of CENTRAL AZUCARERA DE TARLAC as provided for in Section 38 of the Securities Regulation Code, its implementing Rules and Regulations and other SEC issuances.

4. I am related to the following director/officer /substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

NAME OF DIRECTOR /OFFICER/SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
N/A	N/A	N/A

5. To the best of my knowledge, I am **not** the subject of any pending criminal or administrative investigation or proceeding.

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

7. I shall inform the Corporate Secretary and the Compliance Officer of CENTRAL AZUCARERA DE TARLAC of any changes in the abovementioned information within five (5) days from its occurrence.

DONE this DEC 22 2017 day of December 2017, at Makati City, Philippines.

BENJAMIN I. ESPIRITU
Affiant

SUBSCRIBED AND SWORN to before me this DEC 22 2017 day of December 2017 at Makati City, affiant personally appeared before me and exhibited to me his Philippine Passport with No. EB9719149 issued on 02 December 2013 and expires on 01 December 2018.

Doc. No. 149
Page No. 31;
Book No. II;
Series of 2017.

JEROME T. AZARCON
NOTARY PUBLIC
Appointment No. M-247 / Until Dec. 31, 2018
4th Floor Jose Cojuangco & Sons Bldg.
119 Dela Rosa corner Palanca Sts., Legaspi Vill. Makati
PTR No. [illegible] / 01.11.2017 / Makati City
IBP No. [illegible] / 01.09.2017 / Makati
Roll No. [illegible]

JEROME T. AZARCON
NOTARY PUBLIC
ROLL NO. 58144
MAKATI CITY, PHILIPPINES

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **RENATO B. PADILLA,** Filipino, of legal age and a resident of No. 46 Mactan Street, Ayala Heights, Barangay Old Balara, Quezon City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of CENTRAL AZUCARERA DE TARLAC and have been its independent director since October 15, 2010.

2. I am affiliated with the following companies or organizations (including Government Owned and Controlled Corporation):

COMPANY/ORGANIZATION	POSITION/ RELATIONSHIP	PERIOD OF SERVICE
Philippine International Convention Center (PICC)	General Manager	Since 2009

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of CENTRAL AZUCARERA DE TARLAC as provided for in Section 38 of the Securities Regulation Code, its implementing Rules and Regulations and other SEC issuances.

4. I am related to the following director/officer /substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

NAME OF DIRECTOR /OFFICER/SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
N/A	N/A	NA/

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding;

6. I have the required permission or consent from the Governor of the Bangko Sentral ng Pilipinas (BSP) who serves as the Chairman of the Board of PICC to be an independent director in CENTRAL AZUCARERA DE TARLAC.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary and the Compliance Officer of CENTRAL AZUCARERA DE TARLAC of any changes in the abovementioned information within five days from its occurrence.

DONE this 27th day of December 2017, at Makati City, Philippines.

RENATO B. PADILLA
Affiant

SUBSCRIBED AND SWORN to before me this 27th day of December 2017 at Makati City affiant personally appeared before me and exhibited to me his Unified Multi-Purpose ID with CRN 006-0011-1601-0.

Doc. No. 155
Page No. 32
Book No. II;
Series of 2017.

JEROME T. AZARCON
NOTARY PUBLIC
Appointment No. M-247 / Until Dec. 31, 2018
4th Floor Jose Cojuangco & Sons Bldg.,
119 Dela Rosa corner Palanca Sts., Legaspi Vill. Makati
PTR No. 5919494/ 01.11.2017/Makati City
IBP No. 1060363/ 01.09.2017/Makati
Roll No. 60144

JEROME T. AZARCON
NOTARY PUBLIC
ROLL NO. 60144
MAKATI CITY, PHILIPPINES