



111202017002526



## SECURITIES AND EXCHANGE COMMISSION

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Company Information

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

### Document Information

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S.E.C Registration Number

C E N T R A L A Z U C A R E R A D E T A R L A C  
A N D S U B S I D I A R Y

(Company's Full Name)

S A N M I G U E L T A R L A C C I T Y

(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

4 0 0  
Total No. of Stockholders

Total Amount of Borrowings  
Domestic      Foreign

To be accomplished by SEC Personnel Concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

**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 – 1<sup>st</sup> 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 )

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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
<b>Common</b>	<b>282,538,760</b>

- 11. Are any or all of the securities listed on a Stock Exchange?  
Yes [  ] 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 RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)  
Yes [  ] 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	-	-	-	-	-	-
<b>REVENUE</b>	<b>224.01</b>	<b>100%</b>	<b>110.43</b>	<b>100%</b>	<b>77.36</b>	<b>100%</b>
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%	.00	0%
Carbon Dioxide	.00	0%	.00	0%	.00	0%
Industrial services	9.76	4%	9.40	0%	.00	0%
<b>COST OF GOODS SOLD AND SERVICES</b>	<b>278.49</b>	<b>124%</b>	<b>181.16</b>	<b>164%</b>	<b>136.56</b>	<b>177%</b>
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%
<b>GROSS PROFIT</b>	<b>-54.47</b>	<b>.00</b>	<b>-70.73</b>	<b>.00</b>	<b>-59.20</b>	<b>.00</b>
<b>OPERATING EXPENSES</b>	<b>21.78</b>	<b>.00</b>	<b>27.96</b>	<b>.00</b>	<b>19.32</b>	<b>.00</b>
<b>OPERATING PROFIT (LOSS) BEFORE INTEREST AND TAXES</b>	<b>-76.25</b>	<b>.00</b>	<b>-98.69</b>	<b>.00</b>	<b>-78.52</b>	<b>.00</b>
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
<b>INCOME (LOSS) BEFORE TAX</b>	<b>-103.31</b>	<b>.00</b>	<b>-116.24</b>	<b>.00</b>	<b>-102.55</b>	<b>.00</b>
<b>PROVISION FOR INCOME TAX</b>	<b>.00</b>	<b>.00</b>	<b>.00</b>	<b>.00</b>	<b>.00</b>	<b>.00</b>
<b>NET INCOME [LOSS]</b>	<b>-103.31</b>	<b>.00</b>	<b>-116.24</b>	<b>.00</b>	<b>-102.55</b>	<b>.00</b>
<b>EBITDA</b>	<b>-42.99</b>	<b>.00</b>	<b>-63.30</b>	<b>.00</b>	<b>-59.17</b>	<b>.00</b>
<b>EPS</b>	<b>(0.37)</b>		<b>(0.41)</b>		<b>(0.36)</b>	

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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 2<sup>nd</sup> week of November.

## **Review of Operations**

### **Revenues**

<b>REVENUES</b> <i>In Million Pesos</i>	<b>2017</b>	<b>2016</b>	<b>Growth</b>	
			<b>Amount</b>	<b>%</b>
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%
<b>TOTAL</b>	<b>224.0</b>	<b>110.4</b>	<b>113.6</b>	<b>103%</b>

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:

<b>COST OF GOODS SOLD</b> <i>In Million Pesos</i>	<b>2017</b>	<b>2016</b>	<b>Increase(Decrease)</b>	
			<b>Amount</b>	<b>%</b>
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%
<b>TOTAL</b>	<b>262.3</b>	<b>164.1</b>	<b>98.2</b>	<b>60%</b>

- 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:

<b>COST OF TOLLING SERVICES</b> <i>In Million Pesos</i>	<b>2017</b>	<b>2016</b>	<b>Increase(Decrease)</b>	
			<b>Amount</b>	<b>%</b>
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%
<b>TOTAL</b>	<b>11.4</b>	<b>11.3</b>	<b>.1</b>	<b>1%</b>

- 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:

<b>OPERATING EXPENSES</b> <i>In Million Pesos</i>	<b>2017</b>	<b>2016</b>	<b>Increase(Decrease)</b>	
			<b>Amount</b>	<b>%</b>
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%
<b>TOTAL</b>	<b>21.8</b>	<b>28.0</b>	<b>-6.2</b>	<b>-22%</b>

- 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	%
<b>ASSETS</b>						
<b>Current Assets</b>						
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%
<b>Total Current Assets</b>	<b>2,359.51</b>	<b>35%</b>	<b>2,535.33</b>	<b>37%</b>	<b>-175.82</b>	<b>-7%</b>
<b>Non-current Assets</b>						
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%
<b>Total Non Current Assets</b>	<b>4,302.08</b>	<b>65%</b>	<b>4,276.62</b>	<b>63%</b>	<b>25.46</b>	<b>1%</b>
<b>TOTAL ASSETS</b>	<b>6,661.58</b>	<b>100%</b>	<b>6,811.94</b>	<b>100%</b>	<b>-150.36</b>	<b>-2%</b>
<b>LIABILITIES AND EQUITY</b>						
<b>Current Liabilities</b>						
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!
<b>Total Current Liabilities</b>	<b>1,255.04</b>	<b>19%</b>	<b>1,281.08</b>	<b>19%</b>	<b>-26.05</b>	<b>-2%</b>
<b>Non-current liabilities</b>						
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%
<b>Total Non Current Liabilities</b>	<b>2,433.59</b>	<b>37%</b>	<b>2,454.59</b>	<b>36%</b>	<b>-21.00</b>	<b>-1%</b>
<b>Equity</b>						
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%
<b>Total Equity</b>	<b>2,972.95</b>	<b>45%</b>	<b>3,076.26</b>	<b>45%</b>	<b>-103.31</b>	<b>-3%</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>6,661.58</b>	<b>100%</b>	<b>6,811.94</b>	<b>100%</b>	<b>-150.36</b>	<b>-2%</b>

## **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.

<b>LIQUIDITY &amp; SOLVENCY RATIO</b>	<b>As of September 30, 2017</b>	<b>As of June 30, 2017</b>
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)**

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

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

**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)**

	<b>Capital Stock</b>	<b>Retained Earnings</b>		<b>Revaluation Increment</b>	<b>Remeasurement Gains(Losses) on Defined Benefit</b>	<b>Unrealized Cumulative Gain on AFS Financial Asset</b>	<b>Treasury Stock</b>	<b>Total Equity</b>
		<b>Unappropriated</b>	<b>Appropriated</b>					
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
<b>Balance at September 30, 2017</b>	<b>282,545.96</b>	<b>177,621.65</b>	<b>200,000.00</b>	<b>1,946,793.29</b>	<b>226,929.47</b>	<b>139,069.89</b>	<b>-7.20</b>	<b>2,972,953.06</b>

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

	<b>Three Months Ended September 30</b>		
	<b>2017</b>	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Income (loss) before income tax</b>	-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 current 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	
<b>Net cash provided by (used in) operating activities</b>	<b>62,780.58</b>	<b>16,995.52</b>	<b>-50,515.22</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net disposals of (additions to) property, plant and equipment	-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
<b>Net cash provided by (used in) investing activities</b>	<b>-53,912.91</b>	<b>-76,391.51</b>	<b>-44,376.31</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
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
<b>Net cash provided by (used) in financing activities</b>	<b>-62,870.65</b>	<b>26,914.11</b>	<b>51,077.12</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>-54,002.98</b>	<b>-32,481.89</b>	<b>-43,814.41</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>252,839.70</b>	<b>93,948.77</b>	<b>252,839.70</b>
<b>CASH AT END OF YEAR</b>	<b>198,836.72</b>	<b>61,466.88</b>	<b>209,025.29</b>

## **CENTRAL AZUCARERA DE TARLAC AND SUBSIDIARY NOTES TO FINANCIAL STATEMENTS**

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

#### Corporate Information

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

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.

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## 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.

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### 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.

New Accounting Standards, Interpretation and Amendments to Existing Standards Effective Subsequent to June 30, 2017

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 non-monetary 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.

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#### **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.

#### 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.

#### Impairment of Financial Assets

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

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

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the statement of consolidated income. Interest income continues to be accrued on the reduced carrying amount based on the original EIR of the asset. Loans and receivables, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is recognized in the consolidated statement of income under "Other income" account.

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

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

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

### Financial Liabilities

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

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

The Group's financial liabilities consist of other financial liabilities. As at 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.

### Offsetting of Financial Instruments

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

### Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Cost is determined using the weighted average method for raw and refined sugar, alcohol, yeast, molasses and carbon dioxide, 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.



#### Biological 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.

#### Investment Property

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

Investment properties are derecognized either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The

difference between the net disposal proceeds and the carrying amount of the asset is recognized in the consolidated statement of income in the period of derecognition.

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

#### Impairment of Nonfinancial Assets

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

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

#### Customers' Advances

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

#### Provisions

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

#### Equity

##### *Capital Stock*

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

##### *Retained Earnings (Deficit)*

Retained earnings include cumulative profits and are reduced by dividends. Retained earnings

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

#### *Revaluation Increment*

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

#### *Treasury Shares*

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

#### Revenue

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

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

*Sale of Raw Sugar.* Sale of raw sugar is recognized upon endorsement and transfer of quedans and/or issuance of a raw sugar release order in the name of the customer which represents ownership title over the raw sugar.

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

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

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

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

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

Nonrefundable payments by customers are recognized as other income.

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

*Industrial Services.* Revenue from industrial services, which include water and wastewater treatment services, 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.

### Operating Leases

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

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

- there is a change in contractual terms, other than a renewal or extension of the arrangement;
  - a renewal option is exercised or extension is granted, unless that term of the renewal or extension was initially included in the lease term;
  - there is a change in the determination of whether fulfillment is dependent on a specified asset;
- or
- 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.

#### 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. 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.

#### Termination Benefits

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

#### 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.



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## 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.

	<b>Sugar and by products</b>	<b>Real Estate</b>	<b>Eliminations</b>	<b>Total</b>
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	<b>-89,215.69</b>	<b>-14,095.01</b>	<b>.00</b>	<b>-103,310.70</b>
Segment assets	<b>6,720,677.84</b>	<b>838,876.94</b>	<b>-857,970.65</b>	<b>6,701,584.13</b>
Segment liabilities	<b>3,616,966.16</b>	<b>1,721,549.19</b>	<b>-1,609,884.30</b>	<b>3,728,631.06</b>

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

## 7. Cash and Cash Equivalent

This account consists of:

	<b>As of September 30, 2017</b>	As of June 30, 2017
Cash on hand	<b>1,117.11</b>	1,117.16
Cash in banks	<b>222,929.92</b>	236,932.85
Cash equivalents	<b>144.85</b>	144.85
	<b>224,191.88</b>	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:

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

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:

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

	<b>June 30, 2017</b>		
	<b>Trade</b>	<b>Non Trade</b>	<b>Total</b>
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
<b>Balance</b>	<b>3,977.25</b>	<b>5,126.52</b>	<b>9,103.78</b>

## 9. Inventories

This account consists of:

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

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

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## 10. Real Estate Held for Sale and Development

This account consists of:

	<b>As of September 30, 2017</b>	As of June 30, 2017
Land held for development	<b>981,516.36</b>	981,516.36
Land available for sale	<b>6,881.98</b>	6,881.98
	<b>988,398.34</b>	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.

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## 11. Other Current Assets

This account includes:

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

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## 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.

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

The details of AFS financial assets are as follows:

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

The movements in this account are as follows:

	<b>As of September 30, 2017</b>	As of June 30, 2017
At beginning of year	<b>172,489.75</b>	104,066.90
Change in fair value of AFS investments	<b>.00</b>	68,422.85
	<b>172,489.75</b>	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
<b>Cost:</b>										
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
<b>Balances at end of year</b>	<b>1,522,641.71</b>	<b>94,313.56</b>	<b>85,561.00</b>	<b>142,442.60</b>	<b>28,792.71</b>	<b>44,887.64</b>	<b>7,973.88</b>	<b>12,350.55</b>	<b>56,687.61</b>	<b>1,995,651.27</b>
<b>Accumulated depreciation and amortization:</b>										
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
<b>Balances at end of year</b>	<b>1,236,121.82</b>	<b>19,224.92</b>	<b>42,136.10</b>	<b>111,494.49</b>	<b>8,747.80</b>	<b>35,280.31</b>	<b>7,252.57</b>	<b>12,350.54</b>	<b>.00</b>	<b>1,472,608.55</b>
<b>Net book values</b>	<b>286,519.89</b>	<b>75,088.64</b>	<b>43,424.90</b>	<b>30,948.11</b>	<b>20,044.91</b>	<b>9,607.33</b>	<b>721.31</b>	<b>.02</b>	<b>56,687.61</b>	<b>523,042.72</b>

**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
<b>Cost:</b>										
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
<b>Balances at end of year</b>	<b>1,519,736.31</b>	<b>87,081.16</b>	<b>85,556.00</b>	<b>142,394.19</b>	<b>26,424.26</b>	<b>44,609.32</b>	<b>7,973.88</b>	<b>12,350.55</b>	<b>21,354.53</b>	<b>1,947,480.20</b>
<b>Accumulated depreciation and amortization:</b>										
Balances at beginning of year	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
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
<b>Balances at end of year</b>	<b>1,214,620.46</b>	<b>15,859.40</b>	<b>41,749.31</b>	<b>109,721.14</b>	<b>8,105.21</b>	<b>34,481.65</b>	<b>7,176.78</b>	<b>12,350.54</b>	<b>-</b>	<b>1,444,064.48</b>
<b>Net book values</b>	<b>305,115.85</b>	<b>71,221.77</b>	<b>43,806.69</b>	<b>32,673.05</b>	<b>18,319.05</b>	<b>10,127.67</b>	<b>797.10</b>	<b>.02</b>	<b>21,354.53</b>	<b>503,415.72</b>

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## 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 appraisal. 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:

	<b>As of September 30, 2017</b>	<b>As of June 30, 2017</b>
At beginning of year	874,000.00	716,600.00
Revaluation Increment		157,400.00
	<b>874,000.00</b>	<b>874,000.00</b>

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

	<b>As of September 30, 2017</b>	<b>As of June 30, 2017</b>
At beginning of year	1,946,793.29	1,836,613.29
Revaluation increment		110,180.00
	<b>1,946,793.29</b>	<b>1,946,793.29</b>

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.

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## 16. Investment Property

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

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

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 appraisal. 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.

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## 17. Other Noncurrent Assets

This account consists of:

	<b>As of September 30, 2017</b>	As of June 30, 2017
Advances for land maintenance	<b>170,858.89</b>	170,858.89
Deferred charges	<b>27,986.35</b>	23,674.60
Recoverable deposits	<b>5,761.75</b>	4,237.68
Other investments	<b>20.00</b>	20.00
	<b>204,626.98</b>	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.

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## 18. Trade and Other Payables

This account consists of:

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

Advances from related parties	<b>13,025.17</b>	13,025.17
Estimated liability for cash surrender value	<b>2,527.35</b>	2,527.35
Customers' advances	<b>1,658.31</b>	1,658.31
Other payables	<b>64,995.13</b>	68,226.99
	<b>470,661.28</b>	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.

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## 19. Deposits

This account consists of:

	<b>As of September 30, 2017</b>	As of June 30, 2017
Customers' deposits	<b>4,474.27</b>	4,364.09
Construction deposits	<b>2,562.61</b>	2,587.61
	<b>7,036.89</b>	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.

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## 20. Notes Payable

This account consists of:

Short-term notes		
Local banks	<b>742,683.30</b>	753,333.33
Promissory notes	<b>19,585.79</b>	19,585.79
	<b>762,269.09</b>	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.

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

<b>Fiscal Year</b>	<b>Amount</b>
2017	<b>21,000.00</b>
2018	<b>21,000.00</b>
2019	<b>2,016,000.00</b>
	<b>2,058,000.00</b>

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

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## 21. Costs of Goods Sold

This account consists of:

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

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## 22. Costs of Tolling Services

This account consists of:

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

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### 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
	<b>4,792.34</b>	<b>5,787.28</b>	<b>3,778.68</b>

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### 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 and 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
	<b>21,777.51</b>	<b>27,960.06</b>	<b>19,317.91</b>



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## 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)	<b>25,268.33</b>	19,242.66	13,889.91
Cost of tolling services (see Note 22)	<b>1,773.26</b>	1,067.66	862.26
Cost of industrial services (see Note 23)	<b>517.78</b>	502.12	591.63
Operating expenses (see Note 24)	<b>982.90</b>	948.77	628.43
	<b>28,542.26</b>	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
<b>Cost of goods sold</b>			
Salaries, wages, bonuses and other benefits	<b>13,562.41</b>	13,747.86	10,943.39
<b>Cost of tolling services</b>			
Salaries, wages, bonuses and other benefits	<b>2,177.09</b>	2,505.01	1,482.54
<b>Cost of industrial services</b>			
Salaries, wages, bonuses and other benefits	<b>947.21</b>	1,083.70	330.50
<b>Operating expenses</b>			
Salaries, wages, bonuses and other benefits	<b>6,294.91</b>	8,392.50	6,903.38
	<b>22,981.61</b>	25,729.07	19,659.80

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## 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.

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## 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 its main office and entered into an operating lease agreement with FLPC effective from December 1, 2014 to November 30, 2015 (see Note 26). The lease contract includes a clause for the extension of the lease term for an additional period of three years at the option of the lessee. The Parent Company paid advance rental and security deposit amounting to ₱0.85 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
<b>Basic/diluted earnings per share</b>	<b>-₱0.37</b>	<b>₱1.02</b>

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			Total
	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>Asset Measured At Fair Value</b>				
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
	<b>172,327.75</b>	<b>.00</b>	<b>2,360,400.00</b>	<b>2,532,727.75</b>

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.

<b>Unobservable Inputs</b>	<b>Amounts or Percentage of Unobservable Inputs</b>	<b>Relationship of Unobservable Inputs to Fair value</b>
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 properties, the higher the fair value
Physical Adjustments	Up to +/- 30%	The superiority of the quality of the Company's land, the higher the fair value

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

#### Cash and Cash Equivalents, Receivables and Trade and Other Payables

Due to the short-term nature of these financial instruments, their fair values approximate the carrying amounts as of balance sheet date.

#### AFS Financial Assets

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

#### Notes Payable

The carrying value of notes payable with variable interest rates approximates their fair value because of semi-annual or quarterly resetting of interest rate based on market conditions. The fair values of notes payable with fixed interest rates based on Level 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.

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### 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:

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

	June 30, 2017			
	<b>Within 30 Days</b>	<b>Within 1 Year</b>	<b>Above 1 Year</b>	<b>Total</b>
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
	<b>138,568.12</b>	<b>574,575.18</b>	<b>2,168,921.65</b>	<b>2,882,064.95</b>

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:

<b>September 30, 2017</b>				
	<b>Within 30 Days</b>	<b>Within 1 Year</b>	<b>Above 1</b>	<b>Total</b>
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
	<b>399,301.47</b>	<b>760,218.07</b>	<b>16,728.04</b>	<b>1,176,247.58</b>

*\*Excluding cash on hand*

<b>June 30, 2017</b>				
	<b>Within 30 Days</b>	<b>Within 1 Year</b>	<b>Above 1</b>	<b>Total</b>
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
	<b>506,352.55</b>	<b>635,432.21</b>	<b>16,728.04</b>	<b>1,158,512.80</b>

*\*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:

	<b>As of September 30, 2017</b>	<b>As of June 30, 2017</b>
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
	<b>1,200,549.03</b>	<b>1,181,291.94</b>

\*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:

	<b>Total</b>	<b>Neither Past Due nor Impaired</b>	<b>September 30, 2017</b>			<b>Impaired</b>
			<b>Past Due but not Impaired</b>			
			<b>30 Days</b>	<b>90 Days</b>	<b>More than 150 Days</b>	
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	
	<b>804,964.51</b>	<b>168,818.66</b>	<b>5,678.15</b>	<b>.00</b>	<b>621,363.92</b>	<b>9,103.78</b>

	<b>June 30, 2017</b>					
	<b>Total</b>	<b>Neither Past Due nor Impaired</b>	<b>Past Due but not Impaired</b>			<b>Impaired</b>
			<b>30 Days</b>	<b>90 Days</b>	<b>More than 150 Days</b>	
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	
	<b>771,924.93</b>	<b>154,714.60</b>	<b>5,678.15</b>	<b>22.80</b>	<b>602,405.60</b>	<b>9,103.78</b>

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

	<b>September 30, 2017</b>		
	<b>Grade</b>		
	<b>High</b>	<b>Standard</b>	<b>Total</b>
<b>Loans and receivables:</b>			
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
<b>AFS financial assets:</b>			
Proprietary	171,800.00	.00	171,800.00
Listed	527.75	.00	527.75
Unlisted		182.00	182.00
	<b>564,221.18</b>	<b>182.00</b>	<b>564,403.18</b>

\*Excluding cash on hand

	<b>June 30, 2017</b>		
	<b>Grade</b>		
	<b>High</b>	<b>Standard</b>	<b>Total</b>
<b>Loans and receivables:</b>			
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
<b>AFS financial assets:</b>			
Proprietary	171,800.00	.00	171,800.00
Listed	527.75	.00	527.75
Unlisted		182.00	182.00
	<b>564,120.05</b>	<b>182.00</b>	<b>564,302.05</b>

\*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.