110222018001703

SECURITIES AND EXCHANGE COMMISSION

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Company Information

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

CENTRAL AZUCARERA DE TARLAC AND SUBSIDIARY

(Company's Full Name)

SAN MIGUEL, TARLAC CITY

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

Wellerita D. Aguas
Contact Person

(632) 818-6270
Company Telephone Number

0 6	3 0	**SEC 17-A Annual Report for the period ended June 30, 2018**	0 1	any
Month	Day		Month	Year
Fiscal Year			Annual Meeting	

Secondary License Type, If Applicable

CFD
Dept. Requiring this Doc

Amended Articles Number/Section

Total Amount of Borrowings

395
Total No. of Stockholders

Domestic | Foreign

To be accomplished by SEC Personnel Concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, *AS AMENDED*

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

1. For the fiscal year ended **June 30, 2018**

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

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

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

6. (SEC Use Only)
Industry Classification Code:

7. **San Miguel, Tarlac City, Tarlac** **1231**
Address of principal office Postal Code

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

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

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
COMMON	282,538,760

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

Yes [**X**] No [ ]

If yes, state the name of such stock exchange and the classes of securities listed therein:
PHILIPPINE STOCK EXCHANGE **COMMON**

12. Check whether the issuer:

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

Yes [**X**] No [ ]

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

Yes [ ]   No [**X**]

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

Not applicable

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PART I - BUSINESS AND GENERAL INFORMATION

A. Description of Business

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

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

<u>Products and By-Products</u>

Raw and Refined Sugar

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

The mill's sugar sales and the refinery's tolling fees represent approximately 50% and 19%, respectively, of the Company's total revenues. The raw and refined sugars produced are sold to industrial users through traders. The Company operates within 5 to 6 months while the refinery operates between 8 to 9 months with the crop year.

Alcohol

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

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

Carbon Dioxide

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

Industrial Services

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

Industrial Profile

Before the onset of the 2017-18 season it has been projected that after two consecutive seasons of production deficit the world sugar economy would post a production surplus. Preliminary estimates point to an excess of production over consumption of 8.59 MMT (million metric tons), raw value, from a production deficit of 2.85 MMT in 2016-17 or an increase of 11.44 MMT. The lack of fundamental support (demand) at the back of an 8.6% or 14.58 MMT increase in production generally dampened the world market values the entire 2017-18 season. Prices hovered at around 11 to 14 cents per pound for the raw and 14 to 17 cents per pound for refined sugar, possibly the lowest levels since March 2008. Bearish sentiments rule the world sugar economy as early estimates point to another surplus production for the 2018-19 season, estimated at around 6.74 MMT. This is expected to hike the current consumption ratio from 53.6% to 55.1%. The ending stock for the 2018-19 season is projected to grow by 4.5% or 4.28 MMT to 98.39 MMT. Hereunder is the latest world sugar balance figure:

	World Sugar Balance (Million tons, raw value)			
	2017-18	2016-17	Change	
			in mln t	in percent
Production	184.170	169.594	14.576	8.59%
Consumption	175.573	172.441	3.132	1.82%
Surplus/(Deficit)	8.597	(2.847)	11.444	-401.97%
Import Demand	59.045	65.324	(6.279)	-9.61%
Export Availability	59.045	65.317	(6.272)	-9.60%
End Stocks	94.113	85.957	8.156	9.49%
Stock/Consumption Ratio, in percent	**53.60%**	**49.85%**		

The relatively high carry-over stocks from the 2016-17 season and a projected production surplus for the country in the 2017-18, as output was initially placed at 2.38 MMT versus domestic demand of 2.17 MMT, the domestic sugar economy suffered low market values most part of the milling season, from September 2017 to January/February 2018. Refined prices hovered at ₱1,900.00 to slightly over ₱2,000.00 per bag for refined sugar. However, sometime between January to March 2018 the industry leaders came to realize that the initial production estimated may not be attained due the generally unfavorable weather throughout the country. An early indication is when the SRA issued Sugar Order No. 1A sometime in January 2018 that reduced the allocation for the "A" or US quota sugar from 10% to 6% and for the "D" or world market sugar from 10% to only 1% of production. About two months thereafter, the SRA totally eliminated allocation for the "D" or world market sugar when it issued Sugar Order No. 1B in March 2018. Finally, and under Sugar Order No. 9 dated May 2018, the SRA allowed the conversion of any unshipped "D" sugar into "B" or domestic sugar for the purpose of augmenting the local supply. These events triggered the up surge in domestic sugar prices to the point that wholesale market prices for refined reached ₱3,000 per bag and to more than ₱2,100 per bag for the raw sugar in June 2018.

The nation's total sugar output for the 2017-18 season went down by 16.67% or 416,868 metric tons (MT), from 2,500,509 MT to 2,083,641 MT. The generally unfavorable weather conditions that prevailed throughout the season resulted to a lower cane tonnage and sugar recovery. There was also a slight decrease in the total areas planted to cane, from 423,995 hectares to 421,608 hectares. The total canes harvested reached a total of 23,860,924 tons, substantially lower by 14.8% or 4,144,500 tons from the previous year. Sugar recovery also suffered as it dipped by 2.2%, from 1.79 to 1.75 L-Kg per ton cane milled.

The nation's total raw sugar production for the season reached 2,083,641 tons, down by 16.7% from last year's 2,500,509 tons. All of the country's sugar producing posted lower output. Mill district in Mindanao posted the highest combined drop in tonnage of 25.1% or by 1,320,002 tons, from 5,264,070 tons down to 3,944,067 tons. Cane harvest from Panay contracted by 23.0% or 530,732 tons to a total of 1,774,990 tons cane. Eastern Visayas posted a drop in tonnage of 13.20% or by 92,355 tons to 608,571 tons. Slightly lower is the drop in tonnage from Negros of 11.47% or 1,916,795 tons to a total of 14,790,550 tons. The lowest drop in tonnage was posted by the combined tonnage by the mill district in Luzon as it dipped 9.40% or 284,666 tons, from 3,027,412 tons to this year's 2,742,746 tons.

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CANE TONNAGE - PHILIPPINES - CY 2017-18 & CY 2016-17						
MILLS	TONS CANE MILLED				% SHARE IN TOTAL	
	2017-18	2016-17	GROWTH	%	2017-18	2016-17
LUZON						
Cagayan	180,405	184,682	(4,277)	-2.32%	0.76%	0.66%
Bicol	153,910	180,066	(26,156)	-14.53%	0.65%	0.64%
Batangas	1,620,372	1,854,047	(233,675)	-12.60%	6.79%	6.62%
Pampanga	138,481	191,475	(52,994)	-27.68%	0.58%	0.68%
Tarlac	649,578	617,142	32,436	5.26%	2.72%	2.20%
VISAYAS						
Panay	1,774,990	2,305,722	(530,732)	-23.02%	7.44%	8.23%
Eastern Visayas	608,571	700,926	(92,355)	-13.18%	2.55%	2.50%
Negros	14,790,550	16,707,345	(1,916,795)	-11.47%	61.99%	59.66%
MINDANAO	3,944,067	5,264,070	(1,320,003)	-25.08%	16.53%	18.80%
Total	**23,860,924**	**28,005,475**	**-4,144,551**	**-14.80%**	**100.00%**	**100.00%**

Competition

The Company is one of the almost 30 sugar mills currently operating in the country and is one of the few with integrated operations, from sugar milling, refinery and alcohol distillery under one contiguous facility. Located in Central Luzon, CAT caters to the milling requirement of the sugar cane planters of Tarlac and nearby province of Pampanga.

The total available canes in Central Luzon dropped by 2.5% or 20,558 tons, from 808,617 tons to 788,059 tons. Of the total this year, some 82.4% or 649,578 tons were milled in CAT, while the remaining 138,481 tons were processed by a neighboring mill which is Sweet Crystal.

CANE TONNAGE - CENTRAL LUZON - CY 2017-18 & CY 2016-17						
MILLS	TONS CANE MILLED				% SHARE IN TOTAL	
	2017-18	2016-17	GROWTH	%	2017-18	2016-17
Sweet Crystal	138,481	191,475	(52,994)	-27.68%	17.57%	23.68%
Tarlac	649,578	617,142	32,436	5.26%	82.43%	76.32%
Total	**788,059**	**808,617**	**-20,558**	**-2.54%**	**100.00%**	**100.00%**

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

Transactions With and/or Dependence on Related Parties

The Company's transactions with related parties are disclosed in Note 26 (pages 41-43) of the Company's audited financial statements. In addition, the Company's operations are not dependent on its related parties. The Company provides working capital support to its related parties.

Research and Development Spend

CAT spends approximately 0.05-0.10% for product research and development over the last three (3) years. The Company adheres to its core product, sugar, and finds no need to further conduct product research and development. However, it continuously adopts new production technology to which spending is through capital expenditure amounting to ₱100-120M annually.

Government Regulations

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

Cost and effects of compliance with environmental laws

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

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

Employee

As of June 30, 2018, following is the employee details:

	Exec./Mgrl./Supv.		Rank/File		Retainer/	Total
	Perm.	Prob.	Perm.	Prob.	Consultant	
CAT- TARLAC	86		191		15	292
CAT- MAKATI	10		3		3	16
LLC	4		2	2		8
TOTAL	**100**	**0**	**196**	**2**	**18**	**316**

Major Risk in the Business of CAT

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

Operational risk. The Company's main operational threat is the undersupply of sugar cane. Its sources of sugar cane predominately come from Tarlac and the nearby province of Pampanga. Planters who have become beneficial owners of agricultural land have begun to explore or engage in sugar planting. In addition, the Company continuously augments its planters programs, incentives, aids and other services to entice planter/land owners to return to sugar crop propagation and engage CAT for its milling and refinery requirements.

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

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

A national threat to the sugar industry is the importation of smuggled sugar. The disadvantageous consequence of this unlawful activity includes the weakening of domestic sugar prices. It affects not only CAT but the also the industry players as well. It likewise impacts the local planters creating an imbalance in the domestic sugar supply. The Company addresses this risk by managing its costs to allow competitive pricing should excess sugar enters the market. Moreover, CAT collaborates with the government agencies such as the Sugar Regulatory Administration (SRA), whose purpose is to protect the domestic sugar players, and participates in other government programs to uphold the progression of the sugar industry in the Philippines.

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

B. Properties

The Company owns real estate property consisting of 336.6 hectares located within the Luisita Agro-Industrial Complex in San Miguel, Tarlac City. The property in its entirety is located approximately 3.5 kms west from Luisita Interchange of the SCTEX, or 4.5 kms. East from McArthur Highway/Luisita Business Park; and about 10.0 kms Southeast from the downtown of Tarlac City.

Areas of reference on its existing use	Area in sq.meters	% against total land area
Industrial		
Factory Area	593,495	17.63%
Administrative area	264,535	7.86%
Not used in business and operation	486,003	14.44%
Held for sale and development (thru LLC)	2,021,906	60.07%
Total	**3,365,939**	**100%**

Factory Plants/Buildings Used In Business Operations

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

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

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

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

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

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

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

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

C. Legal Proceedings

The Company is currently not under any legal proceedings.

D. Submission of Matters to a Vote of Security Holders

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

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PART II – SECURITIES OF THE REGISTRANT

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

Market Information

Central Azucarera de Tarlac is a Company whose common shares are listed in the Philippine Stock Exchange since April 1977. The following tables list the Company's Stock Price for the 3-year period from FY 2016-2018 and its last trading date.

Market Information				
Year	Quarter	Period	High	Low
2018-2019	1Q	July - September	26.00	17.20
2017 - 2018	1Q	July - September	29.70	14.00
	2Q	October - December	23.00	17.08
	3Q	January - March	51.20	18.40
	4Q	April - June	37.80	21.30
2016 - 2017	1Q	July - September	22.00	17.00
	2Q	October - December	37.50	15.80
	3Q	January - March	21.00	14.22
	4Q	April - June	15.14	14.06
2015 - 2016	1Q	July - September	10.99	7.16
	2Q	October - December	10.00	83.15
	3Q	January - March	24.00	9.50
	4Q	April - June	23.90	12.00

Market Information (Last Trading Date)	
Date	October 10, 2018
Open	16.12
High	17.70
Low	16.12
Close	17.70
Volume	600

Holders of Security

The following table enumerates the top 20 shareholders of the Company as of 30 June 2018.

	Name of Stockholder	Citizenship	Amount Subscribed (Php)	No. of Shares Held	% Total Outstanding
1	PCD NOMINEE CORPORATION (FILIPINO)	Filipino	264,860,624	264,860,624	93.74%
2	PCD NOMINEE CORPORATION (FOREIGN)	Others	4,946,841	4,946,841	1.75%
3	ROMULO, MARILES C.	Filipino	441,240	441,240	0.16%
4	OLLER, MA. MERCE FORMENTI	Spanish	430,880	430,880	0.15%
5	SANTIAGO, O' MARINA SOLDEVILLA	Spanish	369,040	369,040	0.13%
6	SENCHERMES, JUAN GALOBART	Spanish	326,160	326,160	0.12%
7	ALCANTARA, VALERIO	Filipino	280,160	280,160	0.10%
8	DELA RIVA, CARMEN GALOBART	Spanish	277,440	277,440	0.10%
9	IRAGORRI, EDUARDO GALLARZA	Spanish	272,560	272,560	0.10%
10	MENDOZA, NESTOR C.	Filipino	250,960	250,960	0.09%
11	MORTON, CHARLES V.	American	243,440	243,440	0.09%
12	CHUA, WILLINGTON	Filipino	233,100	233,100	0.08%
13	CHEE, LIM BENG	Chinese	231,840	231,840	0.08%
14	RECTOR DEL SEMINARIO MAYOR DE SAN CARLOS	Filipino	221,480	221,480	0.08%
15	DELGADO, NELLIE C.	Filipino	219,040	219,040	0.08%
16	FORD, THOMAS J.	American	210,320	210,320	0.07%
17	MARTIN, FRANCISCO LON	Filipino	204,400	204,400	0.07%
18	GUTIERRES, TERESA MARTINEZ VDA DE	Spanish	198,160	198,160	0.07%
19	HEIRS OF MA. VICTORIA MARFA SATRUSTEGUI	Spanish	178,720	178,720	0.06%
20	SATRUSTEGUI, MA. ISABEL MARFA	Spanish	178,720	178,720	0.06%
	TOTAL:		**274,575,125**	**274,575,125**	**97.185%**

The following table lists the security ownership of certain record and beneficial owners the Company owning more than 5% of its Common Shares as of 30 June 2018.

Title of Class	Name	Number of Shares Held	Name of Beneficial Ownership	Citizenship	%
Common Shares	PCD Nominee Corporation*	264,392,814	PCD Nominee Corporation	Filipino	93.58
**Beneficial ownership through PCD Nominee Corporation*					
Common Shares	CAT Resource & Asset Holdings Inc.	201,718,140	Martin P. Lorenzo 102,876,250 shares	Filipino	71.39
			Fernando C. Cojuangco 98,841,890 shares	Filipino	
	Luisita Trust Fund	46,359,920	Luisita Trust Fund	Filipino	16.41

The following table identifies the shareholdings of Directors and Officers of the Company as of 30 June 2018.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership		Citizenship	%
Common	Martin Ignacio P. Lorenzo	102,876,250	Indirect	Filipino	36.41
		200	Indirect	Filipino	0.00
Common	Fernando C. Cojuangco	98,841,890	Indirect	Filipino	34.98
		200	Indirect	Filipino	0.00
Common	Marco P. Lorenzo	200	Indirect	Filipino	0.00
Common	Vigor D. Mendoza II	200	Indirect	Filipino	0.00
Common	Fernan Victor P. Lukban	200	Indirect	Filipino	0.00
Common	Renato B. Padilla	10	Direct	Filipino	0.00
Common	Benjamin I. Espiritu	10	Direct	Filipino	0.00
Common	Cecile D. Macaalay	5000	Indirect	Filipino	0.00
Common	Wellerita D. Aguas	9980	Direct	Filipino	0.00
		10,000	Indirect	Filipino	0.00
Common	Janette L. Peña	0	-	Filipino	0.00
Common	Addison B. Castro	0	-	Filipino	0.00
Total		**201,744,140**			**71.40**

Dividends

2017 – 2018- ₱ 0.18 per share – June 28, 2018
2016 – 2017- No dividends declared
2015 – 2016- No dividends declared
2014 - 2015 - No dividends declared
2013 - 2014 - No dividends declared
2012 - 2013 - No dividends declared
2011 - 2012 - No dividends declared

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

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

B. Description of Registrant's Securities

As of June 30, 2018, the Company's Authorized Capital Stock remains at ₱400,000,000 divided into 400,000,000 Common Shares with a par value of ₱1.00 per share. As of the same date, 282,538,760 shares are outstanding and are held by 395 stockholders.

On April 19, 2016, the Board of Directors approved the change in par value of common shares from ₱10 per share to ₱1 per share and ratified by the stockholders on June 15, 2016. The date of approval by the Securities and Exchange Commission is October 12, 2016. In accordance with the Exchange' Policy on Updating of Stock Certificates, the change in the par value of common shares was reflected on Philippine Stock Exchange Trading System on October 25, 2016.

PART III - FINANCIAL INFORMATION

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

Executive Summary

Central Azucarera de Tarlac delivered a strong financial performance with a significant increase in profitability. The Company generated an EBITDA of ₱879.7M (Million), with an EBITDA margin of 67% and with an increase of 49% from FY 2017 EBITDA of ₱591.8M. Harnessing its resources, the Company unloaded an idle portion of its land holdings primarily to generate funds to liquidate its ₱2.0B (Billion) loan. This was a calculated strategy of optimization of Company assets to retire the long-term debt ahead of its payment schedule. As a result, CAT will generate continuing yearly benefit of approximately ₱125.0-₱150.0M, which will fuel the Company's further growth and expansion.

FY 2018 Revenues remained at ₱1.3B with a modest increase from last year, despite the volatile sugar prices due to industry's carryover inventory. The Company remained steadfast in managing it costs to uphold a healthy 37% Gross Profit that stood at P478.5M. It likewise implemented its comprehensive cost efficiency program, which arrived at a 2% savings in operating expenses.

Central Azucarera de Tarlac concluded the year with a Net Income of ₱583.6M from ₱287.1M in 2017 with an increase 103%. This significantly marks the return to Shareholders doubling its EPS to ₱2.07 from ₱1.02, a clear indication of increased shareholder value from a solid business infrastructure.

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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 fiscal years ending 30 June 2018, 2017 & 2016.

(In Million Pesos except for Volume, Price & EPS)	FY 2018		FY 2017		FY 2016	
	649,578 TC		617,142 TC		526,543 TC	
	AMT	%	AMT	%	AMT	%
VOLUME AND PRICE MATRIX	**Vol**	**P**	**Vol**	**P**	**Vol**	**P**
Raw Sugar Equivalent	492,038	1,412	462,703	1,389	321,906	1,778
Tolling of Refined Sugar	975,346	244	1,058,358	244	938,170	239
Alcohol	5,786,490	48	5,790,738	52	7,156,011	49
Carbon Dioxide	1,689,550	9	2,909,160	10	2,917,638	12
REVENUE	**1,308.75**	**100%**	**1,304.80**	**100%**	**1,214.04**	**100%**
Sugar	694.88	53%	642.49	49%	572.37	47%
Tolling of Refined Sugar	238.06	18%	258.32	20%	224.04	18%
Alcohol	278.74	21%	301.99	23%	347.17	29%
Molasses	38.12	16%	34.60	13%	.00	0%
Carbon Dioxide	15.22	1%	28.16	2%	36.23	3%
Industrial services	42.72	3%	39.23	3%	33.28	0%
Real estate sale	1.01	0%	.00	0%	.95	0%
COST OF GOODS SOLD AND SERVICES	**830.25**	**63%**	**816.65**	**63%**	**751.07**	**62%**
Costs of goods sold	711.78	54%	692.27	53%	630.03	52%
Costs of tolling services	96.95	7%	102.44	8%	102.89	8%
Cost of industrial services	21.52	2%	21.95	2%	18.07	0%
Cost of real estate	.00	0%	.00	0%	.08	0%
GROSS PROFIT	**478.50**	**37%**	**488.14**	**37%**	**462.97**	**38%**
OPERATING EXPENSES	**129.85**	10%	**158.92**	12%	**110.10**	9%
OPERATING PROFIT BEFORE INTEREST AND TAXES	**348.65**	**27%**	**329.22**	**25%**	**352.87**	**29%**
Interest expense and bank charges	**(120.12)**	-9%	**(138.09)**	-11%	**(123.69)**	-10%
Interest income	**29.72**	2%	**27.08**	2%	**1.23**	0%
Gain on fair value change of investment property	**33.03**	5%	**129.00**	20%	**.00**	0%
Gain on factoring of receivables	**36.72**	3%	**.00**	0%	**.00**	0%
Gain on sale of investment property	**515.43**	74%	**.00**	0%	**.00**	0%
Loss on goodwill impairment	**(199.73)**	-84%	**.00**	0%	**.00**	0%
Others - net	**26.79**	2%	**34.78**	3%	**38.11**	3%
INCOME BEFORE TAX	**670.49**	**51%**	**382.00**	**29%**	**268.52**	**22%**
PROVISION FOR INCOME TAX	**86.88**	**7%**	**94.90**	**7%**	**91.86**	**8%**
NET INCOME	**583.61**	**45%**	**287.09**	**22%**	**176.65**	**15%**
EBITDA	**879.71**	**67%**	**591.83**	**45%**	**447.82**	**37%**
EPS	**₱2.07**		**₱1.02**		**₱0.63**	

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Plan of Operation

Outlook for FY 2018-2019

Analysts believe that for the second year in a row the world sugar economy would post an excess of production over consumption. For the 2018-19 season, it is projected that production will expand by 0.6% or 1.04 million metric tons (MMT) to a total of 185.22 MMT on the back of an output gain projected for India of 1.75 MMT higher than the 2017-18 season. Brazil and Cuba are also projected to expand their production by 0.75 MMT and 0.57 MMT respectively. On the other hand, the world sugar consumption is expected to expand by 1.6% or by 2.90 MMT which is in line with the ten-year growth rate of 1.7%. However, the prevailing weak prices may accelerate consumption which is not yet factored in in the estimate. Hereunder is the latest International Sugar Organization (ISO) world sugar balance projection for the 2018-19 season:

	World Sugar Balance (Million Metric Tons, Raw Value)			
	2018-19	2017-18	Change in MMT	Change in Percent
Production	185.22	184.17	1.05	0.57%
Consumption	178.47	175.57	2.89	1.65%
Surplus/(Deficit)	6.75	8.60	-	0.00%
Import Demand	60.17	59.05	1.13	1.91%
Export Availability	62.64	59.05	3.59	6.08%
End Stocks	98.40	94.11	4.29	4.55%
Stock/Consumption Ratio, in percent	**55%**	**54%**		

Given the projected world sugar balance for the 2018-19 season that points to another massive surplus following a season with even greater excess of world production over consumption, it could easily be presumed that world market values would remain under pressure for the upcoming season. The weather remains the main short-term driver of output and significant unforeseen climatic calamities may affect sugar harvest in the coming season. However, the level of existing surplus stocks which is estimated at 94.11 MMT or 53.6% of total consumption, is still so high that even multi-million tons of production shortfall from major sugar producing countries can still be mitigated.

In the domestic front, the Sugar Regulatory Administration is projecting a higher output of raw sugar for the 2018-19 season. Current projection points to a total raw sugar production of 2.22 MMT, higher by 6.8% or 0.14 MMT from the previous total of 2.08 MMT. With a carry-over stock of some 0.32 MMT from the 2017-18 season and demand of 2.17 MMT, the available supply will more than sufficient to meet the domestic requirements and the US quota commitment. Proof is that on September 2, 2018, the SRA issued Sugar Order No. 1 mandating the allocation of 95.0% of the nation's raw sugar output to the domestic market. The remaining 5.0% is allocated to the US sugar quota.

Sugar Classes	Production MMT	% Allocation
"A" or U.S. Market Sugar	0.11	5%
"B" or Domestic Sugar Market	2.12	95%
"D" or World Sugar Market	-	0%
	2.23	**100%**

Recent government policy pronouncement implemented to address the soaring inflation rate in the country, currently at 6.7%, that tend to have negative impact on the sugar industry. On October 1, 2018, the SRA issued Sugar Order No. 2 allowing the importation of an additional 150,000 MT of sugar by any natural or juridical persons that are registered in the SRA as International Sugar Trader. Any eligible importer may import between 2,500 to 15,000 MT of raw or refined sugar. The sugar shipments should arrive in the country on or before December 31, 2018. This importation is on top of the 200,000 MT of importation done under Sugar Order No. 10 dated June 11, 2018.

In the short-term, this could help the government in its effort to lower the high inflation rate. However, this could also push planters away from sugar cane farming should prices dive down to levels unacceptable to them. Should this happen, then the country could revert back to being a net-importer rather than an exporter of excess domestic production. Another, is that the policy encourages end-users, especially industrial ones, to do the importation which could cause an imbalance in the domestic supply and demand equation when not properly regulated. Note that the present policy mandates that the physical shipments of imported sugar should arrive at the country by December 31, 2018, when all the mills and refineries are operating and when harvesting is at or nearing its peak. Consequently, a glut in supply will occur. Given the foregoing, bearish sentiments will probably prevail this coming milling season. Early indications point to a lower price composite than last year.

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Management Discussion and Analysis

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

Revenue	FY 2018	FY 2017	FY 2016
Revenue (in millions)	1,308.75	1,304.80	1,214.04
% Growth	0.3%	7%	19%

EBITDA	FY 2018	FY 2017	FY 2016
EBITDA (in millions)	879.7	591.8	446.6
% Growth	49%	33%	20%
EBITDA Margin	67%	45%	37%

Net Income	FY 2018	FY 2017	FY 2016
Net income (in millions)	583.61	287.09	176.65
% Growth	103%	63%	22%
Net Income Margin	45%	22%	15%

Earnings per share	FY 2018	FY 2017	FY 2016
Earnings per share	2.07	1.02	0.63

Milling Recovery	FY 2018	FY 2017	FY 2016
Milling recovery (Lkg/TC)	1.602	1.848	1.652

FY 2018 Review of Operations

Revenues

REVENUES In Million Pesos	2018	2017	2016	Growth %	
				2018 vs 2017	2017 vs 2016
Sugar	694.9	642.5	572.4	8%	12%
Tolling of Refined Sugar	238.1	258.3	224.0	-8%	15%
Molasses	38.1	34.6	.0	0%	0%
Alcohol	278.7	302.0	347.2	-8%	-13%
Carbon Dioxide	15.2	28.2	36.2	-46%	-22%
Industrial services	42.7	39.2	33.3	9%	0%
Real estate sale	1.0	.0	1.0	0%	0%
TOTAL	**1,308.8**	**1,304.8**	**1,214.0**	**0%**	**7%**

For the Fiscal Year 2017-2018, the gross revenues from the sale of products and services amounted to ₱1,308.8M, slightly higher by ₱4.0M compared with last year's ₱1,304.8M. While sugar production declined due to lower recovery, the volume of tons cane milled increased by 32,436 TC or 5%. The downtrend in the sugar recovery is attributed to the inferior quality of canes harvested brought by unfavorable weather conditions and operational challenges during the season. Meanwhile, prices of alcohol and carbon dioxide both weakened while composite sugar price enjoyed preferential rate posting a 2% increase.

- Sugar sales improved by ₱52.4M or 8% due to a combination of volume and composite price increases.
- Tolling of refined sugar decreased by ₱20.3M or 8% due to lower available raw sugar for refining.
- Lower average selling price of alcohol mainly contributed the reduction of alcohol revenues by ₱23.2M or 8%.
- Carbon dioxide volume and selling price dropped by 42% and 7%, respectively resulted to the decline in carbon dioxide revenues by ₱12.9M or 46%
- Continued volume increases in the water sales resulted to the Subsidiary's revenue growth by ₱3.5M or 9%.

Cost of Goods Sold

Cost of goods sold slightly went up by ₱19.5M or 3% this year from ₱692.3M to ₱711.8M. The following table summarizes the breakdown of cost of goods sold:

COST OF GOODS SOLD *In Million Pesos*	2018	2017	2016	Growth %	
				2018 vs 2017	2017 vs 2016
Salaries, wages bonuses and other benefits	68.5	61.1	48.2	12%	27%
Repairs & Maintenance	89.3	67.8	98.3	32%	-31%
Inventory cost,spare parts and supplies	327.6	355.7	322.2	-8%	10%
Depreciation and amortization	99.7	87.3	46.3	14%	88%
Freight and transportation	39.0	40.3	37.5	-3%	7%
Security and outside services	41.7	41.2	44.4	1%	-7%
Power and steam	15.7	6.2	7.3	155%	-16%
Insurance	4.5	8.5	4.3	-47%	97%
Taxes and licenses	3.4	2.3	1.5	46%	51%
Others	22.4	21.9	20.0	2%	10%
TOTAL	**711.8**	**692.3**	**630.0**	**3%**	**10%**

- Further appointment of key positions to oversee Company initiatives and continuous regularization of manpower structure caused the salaries and wages to increase by ₱7.4M or 12%.
- Repairs and maintenance grew by ₱21.5M or 32% as the Company remains to intensify capital expenditures that will provide long term benefits.
- Depreciation and amortization increased by ₱12.4M or 14% as a result of continuous focus on spending in strategic capital expenditures
- Power and steam grew by ₱9.6M or 155% due to higher electricity consumption.
- Non-recurring insurance costs were incurred last year, thus decreasing this year's total by ₱4.0M or 46%

Cost of Tolling Services

Cost of tolling moderately decreased by ₱5.5M or 5% this year from ₱102.4M to ₱97.0M. The table summarizes the breakdown of cost of tolling:

COST OF TOLLING SERVICES *In Million Pesos*	2018	2017	2016	Growth %	
				2018 vs 2017	2017 vs 2016
Salaries, wages bonuses and other benefits	10.4	10.9	8.7	-4%	25%
Repairs & Maintenance	9.6	22.0	20.4	-57%	8%
Spare parts and supplies	10.7	4.3	11.2	147%	-61%
Depreciation and amortization	10.1	5.6	4.1	80%	38%
Freight and transportation	5.0	4.7	4.7	8%	-1%
Security and outside services	5.2	5.2	5.5	-1%	0%
Power and steam	41.5	44.7	44.6	-7%	0%
Insurance	.6	1.4	1.0	-56%	48%
Taxes and licenses	2.5	1.8	1.7	38%	8%
Others	1.2	1.7	1.1	-28%	60%
TOTAL	**97.0**	**102.4**	**102.9**	**-5%**	**0%**

- Repairs and maintenance declined by ₱12.4M or 57% as a result of the Company's shift in allocation of capital spending to raw sugar production.

- Spare parts and supplies expanded to ₱6.4M or 147% due to the increase of raw materials used in refining.
- Depreciation grew by ₱4.5M or 80% as a result of last year's increased investment in capital expenditures which provide long term benefits.

Cost of Industrial Services

Cost of industrial services slightly declined by ₱0.4M or 2% from last year's ₱21.9M to ₱21.5M. The table below summarizes the breakdown of operating expenses.

COST OF INDUSTRIAL SERVICES *In Million Pesos*	2018	2017	2016	Growth %	
				2018 vs 2017	2017 vs 2016
Salaries, wages bonuses and other benefits	.3	.5	1.8	-45%	-71%
Repairs & Maintenance	2.2	2.8	4.2	-22%	-34%
Spare parts and supplies	1.4	1.0	.8	37%	31%
Depreciation and amortization	2.0	2.0	2.3	0%	-11%
Security and outside services	3.5	3.5	2.8	1%	23%
Retirement	.0	.0	.1	0%	-100%
Power and steam	5.7	4.6	4.8	22%	-3%
Termination Expense	.0	2.3	.0	-100%	0%
Taxes and licenses	.4	.3	.3	44%	-6%
Others	6.0	4.9	1.0	24%	392%
TOTAL	**21.5**	**21.9**	**18.1**	**-2%**	**21%**

- Repairs and maintenance declined by ₱0.6M or 22% due to the lesser occurrence of water pump rehabilitation.
- ₱0.4M or 37% rise in spare parts and supplies is brought about by the increase in consumables in the water processing.
- Power and steam grew by ₱1.0M or 22% due to higher electricity consumed by the Subsidiary's water generation services, installation of street lights and security postings.

Operating Expenses

Operating expenses diminished by ₱29.1M or 18% from last year's ₱158.9M to ₱129.8M. The table below summarizes the breakdown of operating expenses:

OPERATING EXPENSES *In Million Pesos*	**2018**	**2017**	**2016**	**Growth %**	
				2018 vs 2017	**2017 vs 2016**
Salaries, wages bonuses and other benefits	38.1	32.1	35.3	19%	-9%
Repairs & Maintenance	6.2	9.6	6.8	-36%	42%
Management fees and bonuses	.2	.4	.3	-36%	37%
Taxes and licenses	15.2	23.1	13.7	-34%	69%
Depreciation and amortization	6.9	3.8	2.9	80%	32%
Transportation and travel	9.1	8.6	6.3	5%	38%
Security and outside services	8.1	11.2	1.0	-28%	1019%
Rentals	3.3	3.0	3.2	9%	-5%
Light and water	.8	.6	.9	26%	-31%
Entertainment, amusement and recreation	1.9	1.8	1.9	7%	-4%
Professional fees	30.0	27.9	22.5	7%	24%
Dues and advertisements	2.6	2.9	1.0	-10%	177%
Postage, telephone and telegram	.5	.6	.6	-24%	-5%
Termination Expense	.0	1.2	.0	-100%	0%
Bank Charges	.9	1.0	1.4	-12%	-26%
Provision for doubtful accounts	1.2	.4	2.6	200%	-84%
Provision for losses	.6	.1	6.4	603%	-99%
Others	4.2	30.4	3.3	-86%	817%
TOTAL	**129.8**	**158.9**	**110.1**	**-18%**	**44%**

- Salaries and wages increased by ₱6.0M or 19% as a result of continuous regularization of manpower structure of the outside-plant offices.
- One-time office repairs and renovation were concluded last year, thereby decreasing this year's repairs by ₱3.4M or 36%.
- Depreciation and amortization jumped by ₱3.1M or 80% due to amplified spending in various outside-plant offices.
- Last year's taxes and licenses include one-time transactions, thus decreasing this year's by y ₱7.9M or 34%.
- Security and outside services dropped by ₱3.1M or 28% due to the rationalization of security requirements in the Company's facilities.

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Balance Sheet Accounts

The table below presents the Balance Sheet Statements of the Company as of fiscal years dated June 30, 2018, 2017 and 2016.

(In Million Pesos)	FY 2018		FY 2017		FY 2016		GROWTH	
	AMT	%	AMT	%	AMT	%	AMT	%
ASSETS								
Current Assets								
Cash and cash equivalents	355.18	6%	238.19	4%	93.95	1%	116.98	49%
Receivables	921.30	16%	762.82	13%	659.43	10%	158.48	21%
Inventories	235.73	4%	393.12	7%	154.76	2%	-157.39	-40%
Real estate held for sale and development	988.40	17%	988.40	17%	987.96	15%	.00	0%
Other current assets	219.62	4%	152.79	3%	117.00	2%	66.83	44%
Total Current Assets	**2,720.23**	**46%**	**2,535.33**	**43%**	**2,013.10**	**30%**	**184.90**	**7%**
Non-current Assets								
AFS financial assets	173.95	3%	172.49	3%	104.07	2%	1.46	1%
Property, plant and equipment								
Land- at revalued amount	810.55	14%	874.00	15%	716.60	11%	-63.45	-7%
Property and equipment- at cost	565.63	10%	503.42	8%	429.14	6%	62.22	12%
Investment property	223.56	4%	1,486.40	25%	1,357.40	20%	-1,262.84	-85%
Retirement asset	709.45	12%	339.40	6%	706.47	10%	370.05	109%
Goodwill	502.42	8%	702.15	12%	702.15	10%	-199.73	-28%
Other non-current assets	227.89	4%	198.79	3%	199.00	3%	29.10	15%
Total Non Current Assets	**3,213.46**	**54%**	**4,276.65**	**72%**	**4,214.83**	**62%**	**-1,063.18**	**-25%**
TOTAL ASSETS	**5,933.69**	**100%**	**6,811.97**	**115%**	**6,227.93**	**91%**	**-878.28**	**-13%**
LIABILITIES AND EQUITY								
Current Liabilities								
Trade and other liabilities	551.04	9%	486.79	8%	413.85	6%	64.25	13%
Short-term notes payable	945.38	16%	772.92	13%	377.59	6%	172.46	22%
Current portion of notes payable	.00	0%	14.42	0%	14.69	0%	-14.42	-100%
Deposits	9.20	0%	6.95	0%	6.60	0%	2.25	32%
Income tax payable	29.35	0%	.00	0%	10.46	0%	29.35	100%
Other current liabilities	5.16	0%	.00	0%		0%	5.16	100%
Total Current Liabilities	**1,540.14**	**26%**	**1,281.08**	**22%**	**823.19**	**12%**	**259.06**	**20%**
Non-current liabilites								
Notes payable- net of current portion	.00	0%	2,028.09	34%	2,042.51	30%	-2,028.09	-100%
Deferred tax liability	539.96	9%	426.51	7%	480.77	7%	113.46	27%
Other noncurrent liabilities	13.28	0%	.03	0%	.00	0%	13.25	45035%
Total Non Current Liabilities	**553.24**	**9%**	**2,454.62**	**41%**	**2,523.27**	**37%**	**-1,901.38**	**-77%**
Equity								
Capital stock	282.55	5%	282.55	5%	282.55	4%	.00	0%
Retained earnings (deficit)	2,195.30	37%	480.93	8%	193.84	3%	1,714.37	356%
Revaluation increment	759.06	13%	1,946.79	33%	1,836.61	27%	-1,187.73	-61%
Remeasurement gains on defined benefit liability	478.16	8%	226.93	4%	490.98	7%	251.23	111%
Unrealized cumulative gain on AFS financial	125.25	2%	139.07	2%	77.49	1%	-13.82	-10%
Less cost of 720 shares of stock in treasury	-.01	0%	-.01	0%	-.01	0%	.00	0%
Total Equity	**3,840.31**	**65%**	**3,076.26**	**52%**	**2,881.46**	**42%**	**764.04**	**25%**
TOTAL LIABILITIES AND EQUITY	**5,933.69**	**100%**	**6,811.97**	**115%**	**6,227.93**	**91%**	**-878.28**	**-13%**

Cash

The increase in cash by ₱117.0M or 49% is due from net cash provided by operating activities of ₱634.4M, net cash used in investing activities by ₱383.7M and net cash used in financing activities by ₱133.8M.

Receivables

The increase in receivables by ₱158.5M or 21% from ₱762.8M to ₱921.3M is due to the advances made to affiliated companies.

Inventories

The decrease amounting to ₱157.4M or 40% of the reported ending inventory is due to the decrease in the raw sugar inventory.

Other current assets

The increase of ₱66.8M or 44% in other current assets is due to widened advances to suppliers for off-season maintenance requirements.

Property, Plant and Equipment

The Company reported a net growth of ₱62.2M or 12% due to the increase in capital expenditures in line with the Company's expansion projects.

Investment Property

The Company sold parcels of land resulting to the reduction of investment property as of the reporting date by ₱1,262.8M or 85%, which contributed to P552.1M gain.

Retirement asset

The fair value of plan assets managed by the Parent Company's Retirement Fund grew by ₱370.1M or 109%, causing the retirement asset to increase from ₱154.1M to ₱706.5M.

Other non-current assets

Other non-current assets increased by ₱29.1M or 15% from ₱198.8M to ₱227.9M due to advances for land maintenance, which includes land preparation, cultivation and planting in conjunction with the Company's massive long term plan to increase the tons cane.

Trade and other payable

Trade and other payables increased by ₱64.2M or 13% from ₱486.8M to ₱551.0M due to strategic cash management efforts.

Current portion of notes payable

Current portion of notes payable increased from ₱772.9M to ₱945.4M or ₱172.5M primarily due to availments of short-term loan from a reputable local bank.

Long term notes payable

Long term notes payable was fully settled during the reporting period from the proceeds of investment property sale.

Total Stockholders' Equity

The increase in Stockholders' Equity of ₱764.0M or 25% is brought about by the reported consolidated net income of ₱583.6M, movements in the revaluation increment, and remeasurements gains on defined benefit liability of ₱251.2M and unrealized cumulative loss on AFS of ₱13.8M .

FY 2017 Review of Operations

Revenues

For the Fiscal Year 2016-2017, the gross revenues from the sale of products and services amounted to ₱1,304.8M, higher by ₱90.8M or 7% from the last year. Despite the unfavorable selling prices this year, the overall achievement is the result of increase in cane tonnage by 17%, better quality of cane milled and the consolidated effort to increase productivity that resulted to higher level of continuity of mill operations of 74% compared to last year's 62%.

- Raw sugar production rose by 24% despite the drop in raw sugar composite price this year contributed to ₱70.1M or 12% increase in raw sugar revenues
- Higher volume of raw sugar available for refining triggered the increase in tolling revenues by 13% or ₱34.3M
- Strategic sale of excess molasses added to the coffers by ₱34.6M
- While average selling price of alcohol increased by 7%, volume sold dipped by 19% resulting to a drop in sales of ₱44.2M or 13%
- 22% decline in carbon dioxide selling price resulted to the decrease in revenues by ₱8.1M.
- Increased water sales volume and price of the Company's subsidiary resulted to an increase of ₱5.9M or 18%

Cost of Goods Sold

Cost of goods sold increased by ₱62.2M or 10% this year from ₱630.0M to ₱692.3M.

- Appointment of key positions and regularized manpower structure caused the increase in salaries and wages by ₱12.9M or 27%
- Intensification in capital expenditures which will provide long term benefits caused the repairs and maintenance to decrease by ₱30.6M or 31%
- Inventory cost and spare parts increased by ₱33.5M or 10% due to planned purchase of feedstock in alcohol production that remains unsold as of reporting date
- Depreciation and amortization jumped by ₱40.9M or 88% due to the Management's continuous focus on spending in strategic capital expenditures
- Despite increase in production, power and steam decreased by ₱6.5M or 16% due to efficient milling operations
- Widened insurance coverage instigated the increase in insurance cost by ₱4.0M or 97%

Cost of Tolling Services

Overall, the cost of tolling services remained at ₱102M level despite the increase in production of refined sugar.

- Salaries and wages increased by ₱2.2M or 25% due to regularized manpower structure across the organization
- Efficiency in refinery operations caused the reduced consumption of chemicals and other suppliers by ₱6.9M or 61%
- Depreciation and amortization augmented by ₱1.5M or 38% as more capital expenditures are infused in the refinery operations
- Widened insurance coverage triggered the jump in insurance cost by ₱0.5M or 48%

Cost of Industrial Services

Cost of industrial services increased by ₱3.9M or 21% this year from ₱18.1M to ₱21.9M.

- Salaries and wages decreased by ₱1.2M or 71% brought about by the Subsidiary's decision to right size the operation which include the retirement of numerous positions and aligning salary structure level
- Focused capital expenditures in the water operations in the following years of the Subsidiary caused the spending of repairs and maintenance to decline by ₱1.4M or 34%
- Added posting of key security markers increased the security and outside services by ₱0.6M or 23%
- As the result of right sizing the operations of the Subsidiary, termination expense incurred amounted to ₱2.3M or 100%

Operating Expenses

Operating expenses increased by ₱48.8M or 44% this year from ₱110.1M to ₱158.9M.

- Various outside-plant offices are continuously renovated resulting to an increase of ₱2.8M or 42% repairs and maintenance cost
- Higher business taxes, timely tax remittances and prompt settlements to avail discounts caused the increase of taxes and licenses by ₱9.4M or 69%
- Depreciation jumped by ₱0.9M or 32% due to past year's amplified spending in various outside-plant offices
- Security and outside services increased by ₱10.2M or 1,019% due to added posting of key security markers across the Company's properties
- Professional fees increased by ₱5.4M or 24% as the Company engaged experts to improve the milling operations
- Supplementary memberships and advertisements to sugar industry organizations and events brought the increase of ₱1.9M or 177% in dues and advertisements

Balance Sheet Accounts

The table below presents the Balance Sheet Statements of the Company as of fiscal years dated 31 June 2017, 2016 and 2015.

Cash

The increase in cash by ₱144.0M or 153% is due from net cash provided by operating activities of ₱214.7M, ₱311.1M net cash used in investing activities and ₱240.4M net cash provided by financing activities.

Receivables

The increase in receivables by ₱103.6M or 16% from ₱763.0M to ₱659.4M is due to advances made to affiliated companies.

Inventories

The significant increase amounting to ₱238.4M or 154% is due to the ending inventory of alcohol and sugar that remains unsold and molasses to be processed next milling season as of reporting period.

AFS financial assets

The increase in the proprietary golf shares owned by the Parent Company caused the increase in AFS financial assets by ₱68.4M or 66% from ₱104.1M to ₱172.5M

Other current assets

The increase of ₱35.8M or 31% in other current assets is due to increased advances to suppliers for off-season maintenance requirements.

Property, Plant and Equipment

The Company reported a net growth of ₱74.3M or 17% due to the increase in capital expenditures in line with the Company's expansion projects and ₱157.4M or 22% land value appreciation.

Retirement asset

The drop in the retirement asset by ₱369.4M or 52% is caused by the decline in the fair value shares of stocks as part of the plan assets managed by the Parent Company's Retirement Fund.

Trade and other liabilities

Trade and other liabilities increased by ₱73.8M or 18% from ₱413.0M to ₱486.8M due to accruals and intensified purchases in preparation for the repair season.

Current portion of notes payable

Current portion of notes payable increased from ₱393.1M to ₱787.3M or ₱394.2M primarily due to availments of short-term loan from a reputable local bank.

Long term notes payable

Long term notes payable slightly decreased by ₱14.7M or 1% due to the scheduled payment of amortized principal obligation. The long term note payable was availed as a result of the global transaction arising from the acquisition of the Company by its holding company, CAT Resource & Asset Holdings Inc.

Total Stockholders' Equity

The increase in Stockholders' Equity of ₱194.8M or 7% is brought about by the reported consolidated net income of ₱287.1M, revaluation increment of ₱110.2M, remeasurement loss on defined benefit liability of ₱264.0M and unrealized cumulative gain on AFS financial assets of ₱61.6M.

FY 2016 Review of Operations

Revenues

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

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

Cost of Goods Sold

Cost of goods sold increased by ₱148.9M or 31% this year from ₱477.5M to ₱626.4M.

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

Cost of Tolling Services

Cost of tolling decreased by ₱10.7M or 9% this year from ₱112.7M to ₱102.0M.

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

Cost of Industrial Services

Cost of industrial services grew by ₱5.9M or 48% from last year’s ₱12.2M to ₱18.1M.

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

Operating Expenses

Operating expenses diminished by ₱20.0M or 15% from last year’s ₱129.2M to ₱109.2M.

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

Balance Sheet Accounts

Cash

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

Receivables

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

Inventories

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

Non-current asset held for sale

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

Other current assets

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

Property, Plant and Equipment

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

Retirement asset

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

Other non-current assets

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

Trade and other payable

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

Current portion of notes payable

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

Long term notes payable

Long term notes payable slightly decreased by ₱14.7M or 1% due to the scheduled payment of amortized principal obligation. The long term note payable was availed as a result of the global transaction arising from the acquisition of the Company by its holding company, CAT Resource & Asset Holdings Inc.

Total Stockholders’ Equity

The increase in Stockholders’ Equity of ₱637.8M or 28% is brought about by the reported consolidated net income of ₱176.7M, revaluation increment of ₱86.9M and remeasurements gains on defined benefit liability of ₱414.0M.

LIQUIDITY & SOLVENCY RATIO

Current Ratio

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

Asset to Equity Ratio

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

Debt to Equity Ratio

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

Debt Service Coverage Ratio

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

LIQUIDITY & SOLVENCY RATIO	FY 2018	FY 2017
Current ratio	1.77	1.98
Asset-to-equity ratio	1.55	2.21
Debt-to-equity ratio	0.40	1.08
Debt Service Coverage Ratio	0.83	0.64

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

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

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

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

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

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

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

Changes in and Disagreements with Accountants On Accounting and Financial Disclosures

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

The consolidated fees, net of VAT billed for the last two fiscal years by the Company's external auditor for the Company's annual financial statements audit were ₱1,200,000 for FYs 2018 and 2017.

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

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PART IV - MANAGEMENT AND CERTAIN SECURITY HOLDERS

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

Directors, Independent Directors and Executive Officers

The following are the Directors, Independent Directors and Corporate Officers of the registrant. The Directors were elected during the Annual Meeting of Stockholders held on January 31, 2018 to hold office for one (1) year and until their successors are elected and qualified.

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

Martin Ignacio P. Lorenzo, age 53, Filipino, is currently the Chairman & Chief Executive Officer of CAT. Concurrently, he is also the Chairman and Chief Operating Officer of CAT Resource & Asset Holdings Inc. He holds the same position in the investment holding company of CAT, First Lucky Holdings Corporation, and its subsidiaries, namely, Restaurants Concepts Group, Inc., Amang Rodriguez Holdings, Inc. Cocosorbetero Holdings, Inc., Hospitality School Management Group, Inc. Mr. Lorenzo is likewise the Chairman and Chief Executive Officer of Marlor Investments Corporation and holds the same position in its subsidiaries: Blue Mountains Corporation and LAC-DC. He is also the Chairman and President of First Lucky Property Corporation. He currently holds position in other investment companies, namely, St. Tropez Holdings Corporation and Sierra Madre Capital. He is a Director in Familia Lorenzo Foundation, Incorporated. Mr. Lorenzo has over 20 years of extensive experience in investments and operations in various industries including agriculture, manufacturing and food retail. He obtained his BS Management Engineering degree at Ateneo de Manila University in 1986. He obtained his Masters in Business Administration in Wharton Graduate School, University of Pennsylvania, in 1990.

Fernando C. Cojuangco, age 56, Filipino, is currently the President and Chief Operating Officer of the Company. He holds the same position in CAT Resource & Asset Holdings Inc. and is also the Chairman and President of Liberty Insurance Corporation. He is the Chairman & Chief Operating Officer of North Star Estate Holdings. A lawyer by profession, he is a principal partner in MALCOLM Law Offices. Mr. Cojuangco has extensive experience in agriculture, real estate and insurance industries. He is a holder of a Bachelor of Arts degree in Economics from the University of California and Member of the Omicron Delta Epsilon Honors Society. He obtained his Bachelor of Laws degree with honors from the Ateneo de Manila University.

Marco P. Lorenzo, age 57, Filipino, is currently Director and Consultant of the Company handling the Cane Supply Operations. He is also currently engaged by Del Monte Philippines as consultant for Plantation Operations. He was the Managing Director of the Wallco Pastoral NT in Australia. He also served as the Senior Vice President for Operations of the Del Monte Philippines for nine years. He held the position of Senior Group Manager of Lapanday Agricultural Development Corporation for seven years. He graduated from Ateneo de Manila University in 1982 with a Bachelor of Arts degree in Interdisciplinary Studies. He obtained his Bachelor Degree in Agricultural Science and Management from the University of California in 1985.

Vigor D. Mendoza II, age 58, Filipino, a Director of the Company. He is a lawyer by profession and is a principal partner in MALCOLM Law Offices heading the Practice in Public Utility and Property and Energy Law. He is likewise a Director of CAT Resource & Asset Holdings Inc. Mr. Mendoza was a former Commissioner of the Land Transportation Franchising & Regulatory Board under the Department of Transportation and Communication. He was a former Congressman representing the 1-Utak Party List under the 4th Congress of the Republic of the Philippines. He graduated with a degree of Bachelor of Arts in Economics from the Ateneo de Manila University in 1983. He obtained his Bachelor of Laws degree from the Ateneo de Manila University in 1988.

Fernan Victor P. Lukban, age 57, Filipino, is a Director of the Company. He is one of the top Strategy and Family Business consultants in the Philippines. He is a founding fellow at the Institute of Corporate Directors in Manila and is also an International Fellow of the Australian Institute of Company Directors. He holds undergraduate degrees in Engineering from De La Salle University and graduate degrees in Industrial Economics from the Center for Research & Communication, now University of Asia & the Pacific, Manila. He also has a Master's degree in Business Administration from IESE, Barcelona, Spain.

Renato B. Padilla, age 72, Filipino, is an Independent Director of the Company. He is a lawyer by profession and is currently the General Manager of the Philippine International Convention Center (PICC) in Manila. He was formerly an Undersecretary of the Department of Agrarian Reform from 1989-1995.

Benjamin I. Espiritu Ph. D, age 66, Filipino, is an Independent Director of the Company. He is a practicing Certified Public Accountant, President & CEO of Change

Management International, Inc. and Chairman of Banco de Mindoro, Inc. He was Dean of Far Eastern University Makati, and Chair of the Accounting, Finance, Business and Governance Department of the De La Salle University Graduate School of Business. He served as Governor of the Province of Oriental, Mindoro. He earned his Ph.D., Major in Public Administration from the University of Santo Tomas, Master in National Security Administration from the National Defense College of the Philippines, Master of Business Administration and Bachelor of Science in Commerce, Major in Accounting degrees from De La Salle University.

Cecile D. Macaalay, age 50, Filipino, is the Treasurer of the Company. She is a practicing Certified Public Accountant. She is currently the Chief Finance Officer of First Lucky Holdings Corporation and the Director of its subsidiaries such as RestaurantConcepts Group, Inc., LAC -DC and Cocosorbetero Holdings, Inc. She is also the Treasurer of CAT Resource & Asset Holdings, Inc. and Assistant Treasurer of Amang Rodriguez Holdings, Inc. She is also serving as the Director of First Lucky Property Corporation and its numerous subsidiaries. She obtained her Bachelor of Science Degree in Business Administration and Accountancy at University of the Philippines in 1990.

Wellerita D. Aguas, age 73, Filipino, is the Vice President for Finance of the Company since October 15, 2014. She held finance positions in the various companies under Jose Cojuangco and Sons, Inc. She is a BSBA graduate of the University of the East.

Janette L. Peña, age 59, Filipino, is the current Corporate Secretary the Company. She is also the Corporate Secretary of CAT Resource & Asset Holdings Inc. and First Lucky Holdings Corp. Ms. Peña is an Independent Director of The Manufacturer's Life Insurance Co. (Phils), Inc. Manulife Financial Plans, Inc., Manulife Chinabank Life Assurance Corporation, China Oceans Philippines, Inc., and Corporate Secretary for Macondray Philippines Co., Inc., other subsidiaries, among others. Ms. Peña graduated from the University of the Philippines with a Bachelor of Science degree in Business Economics (Cum laude). She received her Bachelor of Laws from the University of the Philippines College of Law (Cum laude) and ranked first in the 1985 Philippine Bar Exams. She completed her Master of Laws in Harvard Law School.

Addison B. Castro, age 55, Filipino, is the Assistant Corporate Secretary of the Company. Atty. Castro is a practicing lawyer and a Principal Partner of Gatchalian Castro & Mawis Law Offices. He is a professor of the Lyceum of the Philippines University, College of Law since 2008. He graduated with a degree of Bachelor of Science in Applied Economics at the De La Salle University in 1983. He obtained his Bachelor of Laws degree from the Ateneo de Manila University in 1988.

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Family Relationships

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

Identification of Significant Personnel

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

Involvement in Certain Legal Proceedings

None of the directors and officers was involved during the past five years in any bankruptcy proceedings. Neither have they been convicted by final judgment in any criminal proceeding or being subject to a pending criminal proceeding, or being subject to any order, judgment or decree of any competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities; nor being found in a civil action to have violated a securities or commodities law, and the judgment has not been reversed, suspended or vacated. As of the years ended June 30, 2018 and June 30, 2017, the Company is not involved in any litigation it considers material.

B. Executive Compensation

The following table summarizes the compensation of key management personnel of the Company for the fiscal years June 30, 2018, 2017 and 2016.

FY 2017-2018						
Name	**Position**	**Salary & Professional fees**	**Bonus**	**Transportation**	**Per Diem**	**Total**
July 1, 2017 - June 30, 2018						
Martin Ignacio P. Lorenzo	Chairman of the Board & CEO					
Fernando Ignacio C. Cojuangco	President & COO					
Marco P Lorenzo	Director	₱16,318,185	₱3,962,425	₱2,261,675	₱198,500	₱22,740,784
Wellerita D. Aguas	VP for Finance					
Marcelo P. Karaan II	VP for Human Resources					
All Other Officers & Directors as a group						
TOTAL		**₱16,318,185**	**₱3,962,425**	**₱2,261,675**	**₱198,500**	**₱22,740,784**

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

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

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

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

Security Ownership of Certain Record and Beneficial Owners

The following table identifies the security ownership of certain record and beneficial owners the Company owning more than 5% of its Common Shares as of 30 June 2018.

Title of Class	Name	Number of Shares Held	Name of Beneficial Ownership	Citizenship	%
Common Shares	PCD Nominee Corporation*	264,392,814	PCD Nominee Corporation	Filipino	93.58
**Beneficial ownership through PCD Nominee Corporation*					
Common Shares	CAT Resource & Asset Holdings Inc.	201,718,140	Martin P. Lorenzo 102,876,250 shares	Filipino	71.40
			Fernando C. Cojuangco 98,841,890 shares	Filipino	
	Luisita Trust Fund	46,359,920	Luisita Trust Fund	Filipino	16.41

Security Ownership of Management

The following table identifies the security ownership of Management as of 30 June 2018.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership		Citizenship	%
Common	Martin Ignacio P. Lorenzo	102,876,250	Indirect	Filipino	36.41
		200	Indirect	Filipino	0.00
Common	Fernando C. Cojuangco	98,841,890	Indirect	Filipino	34.98
		200	Indirect	Filipino	0.00
Common	Marco P. Lorenzo	200	Indirect	Filipino	0.00
Common	Vigor D. Mendoza II	200	Indirect	Filipino	0.00
Common	Fernan Victor P. Lukban	200	Indirect	Filipino	0.00
Common	Cecile D. Macaalay	5000	Direct	Filipino	0.00
Common	Wellerita D. Aguas	9980	Direct	Filipino	0.00
		10,000	Indirect	Filipino	0.00
Total		**201,744,120**			**71.40**

PART V - CORPORATE GOVERNANCE

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

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

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

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

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

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CENTRAL AZUCARERA DE TARLAC, INC.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on ______________ 2018:

By:

MARTIN P. LORENZO
Chairman of the Board and CEO

FERNANDO C. COJUANGCO
President and COO

JANETTE L. PENA
Secretary

WELLERITA D. AGUAS
Vice President- Finance

LORA MAY M. CADA
Finance Manager

SUBSCRIBED AND SWORN to before me this day of OCT 1 8 2018 2018 affiant (s) exhibiting to me their PASSPORT ID's as follows:

NAME	ID No	EXPIRING ON
Martin Ignacio P. Lorenzo	EC6023262	Dec. 1, 2020
Fernando C. Cojuangco	P2304918A	Mar. 14, 2022
Janette L. Pena	P5811162A	Jan. 28, 2028
Wellerita D. Aguas	EC7357953	Apr. 9, 2021
Lora May M. Cada	P7254581A	May 21, 2028

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Book No. XLVI
Series of 2018

ATTY. GERVACIO B. ORTIZ JR.
Notary Public City of Makati
Until December 31, 2018
IBP No. 656155-Lifetime Member
MCLE Compliance No. V-0006934
Appointment No. M-104 (2017-2018)
PTR No. 6607879 Jan. 3, 2018
Makati City Roll No. 40091
101 Urban Ave. Campos Rueda Bldg.
Brgy. Pio Del Pilar, Makati City

C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

	P	W	0	0	0	0	0	7	2	7

C O M P A N Y   N A M E

CENTRAL AZUCARERA DE TARLAC AND SUBSIDIARY

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

SAN MIGUEL, TARLAC CITY

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

C O M P A N Y   I N F O R M A T I O N

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

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
395	01/30	06/30

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

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

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

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

Central Azucarera de Tarlac, Inc.

BUREAU OF INTERNAL REVENUE
RECEIVED
OCT 22 2018
REGULATORY DIVISION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of **Central Azucarera de Tarlac, Inc. and Subsidiary (the Group)** is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended **June 30, 2018 and 2017**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the **Group's** financial reporting process.

The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co the independent auditors appointed by the stockholders, has audited the financial statements of the **Group** in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

Signed and under oath by the following:

MARTIN P. LORENZO	**FERNANDO C. COJUANGCO**	**WELLERITA D. AGUAS**
Chairman and CEO	President and COO	VP-Finance

SUBSCRIBED AND SWORN to before me this day of OCT 1 8 2018 2018 affiant(s) exhibiting to me their PASSPORT ID's as follows:

NAME	ID No	EXPIRING ON
Martin Ignacio P. Lorenzo	EC6023262	Dec. 1, 2020
Fernando C. Cojuangco	P2304918A	Mar. 14, 2022
Wellerita D. Aguas	EC7357953	Apr. 09, 2021

Doc. No. 246
Page No. 55
Book No. XLVII
Series of 2018

ATTY. GERVACIO B. ORTIZ JR.
Notary Public City of Makati
Until December 31, 2018
IBP No. 656155-Lifetime Member
MCLE Compliance No. V-0006934
Appointment No. M-104 (2017-2018)
PTR No. 6617879 Jan. 3, 2018
Makati City Roll No. 40091
101 Urban Ave. Campos Rueda Bldg.
Brgy. Pio Del Pilar, Makati City

SGV
Building a better working world

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

INDEPENDENT AUDITOR'S REPORT

REVENUE
OCT 22 2018
LT REGULATORY DIVISION

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

Opinion

We have audited the consolidated financial statements of Central Azucarera de Tarlac and its subsidiary (the Group), which comprise the consolidated balance sheets as at June 30, 2018 and 2017, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended June 30, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated balance sheets of the Group as at June 30, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended June 30, 2018 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

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

Valuation of Land

The Group carries land in its consolidated balance sheet as property, plant and equipment and investment property using the revaluation and fair value model, respectively. Land represents 17.41% of the total consolidated assets of the Group as at June 30, 2018. The determination of the revalued amount and fair value of these parcels of land involves significant management judgments and estimations. The valuation also requires the assistance of external appraiser whose calculations also depend on certain assumptions, such as sales and listing of comparable properties registered within the vicinity and adjustments to sales price based on internal and external factors. Thus, we considered the valuation of land as a key audit matter.

The disclosures relating to land are included in Note 15 to the consolidated financial statements.

Audit Response
We evaluated the capabilities and objectivity of the external appraiser by considering their qualifications, experience and reporting responsibilities. We involved our internal specialist in the review of the methodology and assumptions used in the valuation of land. We assessed the methodology adopted by referencing common valuation models and reviewed the relevant information supporting the sales and listings of comparable properties. We also inquired from the external appraiser the basis of adjustments made to the sales price.

Impairment Testing of Goodwill

Under Philippine Financial Reporting Standards, the Group is required to annually test the amount of goodwill for impairment. As at June 30, 2018, the Group's goodwill attributable to its investment in Luisita Land Corporation amounted to ₱502.4 million, which is net of the impairment loss of ₱199.7 million recognized for the year ended June 30, 2018. These amounts are considered significant to the consolidated financial statements. In addition, management's assessment process requires significant judgment and is based on assumptions, specifically revenue growth rate and discount rate.

The Group's disclosures about goodwill are included in Note 12 to the consolidated financial statements.

Audit Response
We involved our internal specialist in evaluating the methodology and the assumptions used. These assumptions include revenue growth rate and discount rate. We compared the key assumptions used, such as revenue growth rate against the historical performance of Luisita Land Corporation and other relevant external data. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of goodwill.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended June 30, 2018, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended June 30, 2018 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

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

SYCIP GORRES VELAYO & CO.

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Maria Veronica Andresa R. Pore
Partner
CPA Certificate No. 90349
SEC Accreditation No. 0662-AR-3 (Group A),
March 2, 2017, valid until March 1, 2020
Tax Identification No. 164-533-282
BIR Accreditation No. 08-001998-71-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 6621311, January 9, 2018, Makati City

October 2, 2018

CENTRAL AZUCARERA DE TARLAC AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

	June 30	
	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents (Note 7)	**₱355,179,298**	₱238,194,857
Receivables (Note 8)	**921,300,983**	762,821,158
Inventories (Note 9)	**235,732,973**	393,121,739
Real estate held for sale and development (Note 10)	**988,398,335**	988,398,335
Other current assets (Note 11)	**219,617,383**	152,789,598
Total Current Assets	**2,720,228,972**	2,535,325,687
Noncurrent Assets		
Available-for-sale (AFS) financial assets (Note 13)	**173,949,540**	172,489,748
Property, plant and equipment:		
Land - at revalued amount (Note 15)	**810,550,400**	874,000,000
Property, plant and equipment - at cost (Note 14)	**565,633,013**	503,415,721
Investment property (Note 15)	**223,561,380**	1,486,400,000
Retirement asset - net (Note 25)	**709,453,071**	339,402,397
Goodwill - net (Note 12)	**502,418,570**	702,146,249
Other noncurrent assets (Note 16)	**227,894,976**	198,791,158
Total Noncurrent Assets	**3,213,460,950**	4,276,645,273
TOTAL ASSETS	**₱5,933,689,922**	₱6,811,970,960
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 17)	**₱551,040,675**	₱486,793,188
Short-term notes payable (Note 18)	**945,380,104**	772,919,122
Income tax payable	**29,353,478**	–
Deposits	**9,204,881**	6,951,707
Current portion of mortgage payables	**5,164,797**	–
Current portion of long-term notes payable (Note 18)	**–**	14,420,921
Total Current Liabilities	**1,540,143,935**	1,281,084,938
Noncurrent Liabilities		
Deferred income tax liabilities - net (Note 27)	**539,962,721**	426,506,175
Long-term notes payable - net of current portion (Note 18)	**–**	2,028,086,673
Other noncurrent liabilities	**13,275,495**	29,413
Total Noncurrent Liabilities	**553,238,216**	2,454,622,261
Total Liabilities	**2,093,382,151**	3,735,707,199
Equity		
Capital stock (Note 29)	**282,545,960**	282,545,960
Retained earnings (Note 29)	**2,195,297,394**	480,932,349
Revaluation increment (Note 15)	**759,063,214**	1,946,793,293
Remeasurement gains on retirement asset (Note 25)	**478,155,235**	226,929,466
Unrealized cumulative gains on AFS financial assets (Note 13)	**125,253,168**	139,069,893
	3,840,314,971	3,076,270,961
Cost of 7,200 shares of stock held in treasury (Note 29)	**(7,200)**	(7,200)
Total Equity	**3,840,307,771**	3,076,263,761
TOTAL LIABILITIES AND EQUITY	**₱5,933,689,922**	₱6,811,970,960

See accompanying Notes to Consolidated Financial Statements.

CENTRAL AZUCARERA DE TARLAC AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended June 30		
	2018	2017	2016
REVENUES			
Sale of sugar and by-products	**₱1,026,965,440**	₱1,007,242,395	₱955,769,538
Tolling fees	**238,062,452**	258,324,021	224,035,212
Industrial services	**42,715,201**	39,229,718	33,279,618
Real estate sale	**1,009,250**	–	954,000
	1,308,752,343	1,304,796,134	1,214,038,368
COST OF GOODS SOLD AND SERVICES			
Cost of goods sold (Note 19)	**711,784,361**	692,271,038	630,028,400
Cost of tolling services (Note 20)	**96,951,084**	102,437,775	102,892,861
Cost of industrial services (Note 21)	**21,518,324**	21,946,099	18,066,725
Cost of real estate sale	**1**	–	84,367
	830,253,770	816,654,912	751,072,353
GROSS INCOME	**478,498,573**	488,141,222	462,966,015
OPERATING EXPENSES (Note 22)	**(129,847,438)**	(158,921,963)	(110,101,239)
OTHER INCOME (EXPENSE)			
Gain on fair value change of investment property (Note 15)	**33,029,220**	129,000,000	–
Interest income (Notes 7, 8 and 26)	**29,720,850**	27,084,864	1,225,821
Interest expense (Note 18)	**(120,123,188)**	(138,087,288)	(123,688,110)
Other income - net (Note 24)	**379,220,397**	34,780,115	38,109,917
INCOME BEFORE INCOME TAX	**670,498,414**	381,996,950	268,512,404
PROVISION FOR INCOME TAX (Note 27)			
Current	**77,517,016**	89,362,933	89,131,599
Deferred	**9,359,385**	5,541,803	2,730,674
	86,876,401	94,904,736	91,862,273
NET INCOME	**₱583,622,013**	₱287,092,214	₱176,650,131
Basic/diluted earnings per share (Note 29)	**₱2.07**	₱1.02	₱0.63

See accompanying Notes to Consolidated Financial Statements.

CENTRAL AZUCARERA DE TARLAC AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended June 30		
	2018	2017	2016
NET INCOME	**₱583,622,013**	₱287,092,214	₱176,650,131
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that may be reclassified to profit or loss - net of income tax effect:			
Unrealized gains (loss) on available-for-sale financial assets (Note 13)	**(13,816,725)**	61,580,563	549,340
Items that will not be reclassified to profit or loss - net of income tax effect:			
Remeasurement gains (loss) on retirement asset (Note 25)	**251,225,769**	(264,053,350)	373,649,575
Revaluation increment (decrease) on land (Note 15)	**(6,130,070)**	110,180,000	21,630,000
	245,095,699	(153,873,350)	395,279,575
OTHER COMPREHENSIVE INCOME (LOSS)	**231,278,974**	(92,292,787)	395,828,915
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱814,900,987**	₱194,799,427	₱572,479,046

See accompanying Notes to Consolidated Financial Statements.

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CENTRAL AZUCARERA DE TARLAC AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED JUNE 30, 2018

	Capital Stock (Note 29)	Retained Earnings (Note 29) Unappropriated	Retained Earnings (Note 29) Appropriated	Retained Earnings (Note 29) Total	Revaluation Increment (Decrease) (Note 15)	Remeasurement Gains (Loss) on Retirement Asset (Note 25)	Unrealized Cumulative Gains (Loss) on Available-for-Sale Financial Assets (Note 13)	Cost of Treasury Stock (Note 29)	Total Equity
Balances at June 30, 2015	₱282,545,960	₱17,190,004	₱–	₱17,190,004	₱1,814,983,293	₱117,333,241	₱76,939,990	(₱7,200)	₱2,308,985,288
Total comprehensive income	–	176,650,131	–	176,650,131	21,630,000	373,649,575	549,340	–	572,479,046
Balances at June 30, 2016	282,545,960	193,840,135	–	193,840,135	1,836,613,293	490,982,816	77,489,330	(7,200)	2,881,464,334
Total comprehensive income (loss)	–	287,092,214	–	287,092,214	110,180,000	(264,053,350)	61,580,563	–	194,799,427
Appropriation (Note 29)	–	(200,000,000)	200,000,000	–	–	–	–	–	–
Balances at June 30, 2017	282,545,960	280,932,349	200,000,000	480,932,349	1,946,793,293	226,929,466	139,069,893	(7,200)	3,076,263,761
Total comprehensive income (loss)	–	583,622,013	–	583,622,013	(6,130,070)	251,225,769	(13,816,725)	–	814,900,987
Sale of land at revalued amount (Note 15)	–	1,181,600,009	–	1,181,600,009	(1,181,600,009)	–	–	–	–
Dividend declaration (Note 29)	–	(50,856,977)	–	(50,856,977)	–	–	–	–	(50,856,977)
Appropriation (Note 29)	–	(2,300,000,000)	2,300,000,000	–	–	–	–	–	–
Reversal of appropriation (Note 29)	–	200,000,000	(200,000,000)	–	–	–	–	–	–
Balances at June 30, 2018	₱282,545,960	(₱104,702,606)	₱2,300,000,000	₱2,195,297,394	₱759,063,214	₱478,155,235	₱125,253,168	(₱7,200)	₱3,840,307,771

See accompanying Notes to Consolidated Financial Statements.

CENTRAL AZUCARERA DE TARLAC AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended June 30		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱670,498,414**	₱381,996,950	₱268,512,404
Adjustments for:			
Loss on impairment of goodwill (Note 12)	**199,727,679**	–	–
Interest expense (Note 18)	**120,123,188**	138,087,288	123,688,110
Depreciation and amortization (Note 14)	**118,817,488**	98,826,102	55,616,011
Loss on early retirement of long-term notes payable (Note 18)	**10,515,236**	–	–
Provision for doubtful accounts (Note 8)	**1,206,817**	401,755	1,481,986
Provision for inventory losses (Note 9)	**615,078**	87,447	6,384,758
Gain on sale of investment property (Note 15)	**(515,432,932)**	–	–
Gain on factoring of receivable (Note 15)	**(36,716,288)**	–	–
Gain on fair value change of investment property (Note 15)	**(33,029,220)**	(129,000,000)	–
Interest income (Notes 7, 8 and 26)	**(29,720,850)**	(27,084,864)	(1,225,821)
Net retirement income (Note 25)	**(11,190,093)**	(10,818,686)	(5,277,537)
Gain on disposal of property, plant and equipment	**(8,571)**	(23,601)	(25,622,574)
Loss on cancellation of contracts	–	–	4,629,890
Reversal of inventory obsolescence (Note 9)	–	–	(2,426,801)
Operating income before working capital changes	**495,405,946**	452,472,391	425,760,426
Decrease (increase) in:			
Receivables	**80,318,427**	(628,500)	101,939,698
Inventories	**156,773,688**	(238,454,050)	(9,959,527)
Real estate held for sale and development	–	(435,821)	–
Other current assets	**(93,603,503)**	(46,912,750)	(71,722,867)
Increase in:			
Trade and other payables	**19,097,117**	63,735,153	27,273,606
Deposits	**2,253,174**	355,495	803,159
Net cash generated from operations	**660,244,849**	230,131,918	474,094,495
Income tax paid	**(25,801,850)**	(87,416,031)	(99,087,531)
Retirement benefits paid (Note 25)	–	–	(12,932,746)
Net cash provided by operating activities	**634,442,999**	142,715,887	362,074,218
CASH FLOWS FROM INVESTING ACTIVITIES			
Net proceeds from sale of investment property	**36,716,288**	–	–
Interest received	**969,456**	608,970	845,286
Payments to related parties	**(211,218,675)**	(66,579,435)	(300,924,440)
Additions to property, plant and equipment	**(195,152,227)**	(173,134,942)	(110,745,075)
Decrease (increase) in other noncurrent assets	**(15,012,799)**	213,290	(179,186,868)
Net cash flows from (used in) investing activities	**(383,697,957)**	(238,892,117)	(590,011,097)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from factoring of receivables	**1,849,814,272**	–	–
Net availment of notes payable	**171,666,667**	470,000,000	250,000,000
Increase in other noncurrent liabilities	**17,011,402**	–	–
Payments of:			
Notes payable	**(2,058,000,000)**	(97,431,128)	(62,918,234)
Interest (Note 18)	**(114,252,942)**	(132,146,556)	(118,035,816)
Net cash flows from (used in) financing activities	**(133,760,601)**	240,422,316	69,045,950
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**116,984,441**	144,246,086	(158,890,929)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**238,194,857**	93,948,771	252,839,700
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**₱355,179,298**	₱238,194,857	₱93,948,771

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information and Authorization for the Issuance of the Consolidated Financial Statements

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

As at June 30, 2018, the Parent Company is 71.40% owned by CAT Resource & Asset Holdings, Inc. (CRAHI).

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

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

Authorization for the Issuance of the Consolidated Financial Statements
The consolidated financial statements as at and for the three years in the period ended June 30, 2018 were authorized for issue in accordance with a resolution by the Board of Directors (BOD) on October 2, 2018.

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

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

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

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

Basis of Consolidation

The consolidated financial statements include the financial results of the Parent Company and its subsidiary. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

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

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement(s) with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- 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 other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

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

3. **Changes in Accounting Policies and Disclosures**

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new, amended and improvements to PFRSs, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) which are effective for annual periods beginning July 1, 2017.

Amendments to PFRS 12, *Disclosure of Interests in Other Entities - Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)
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.

These amendments did not have any impact on the consolidated financial statements as the Group does not have any interest in other entities that is classified as held for sale.

Amendments to Philippine Accounting Standards (PAS) 7, *Statement of Cash Flows - Disclosure Initiative*
The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

The Group presented the required disclosures of these amendments in Note 31. As allowed by the transition requirement, no comparative figures are shown.

Amendments to PAS 12, *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 upon the reversal of the deductible temporary difference related to unrealized losses. 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.

These amendments did not have any impact on the consolidated financial statements as the Group does not have any unrealized losses requiring similar nature gains for it to be deductible for tax purposes.

New Accounting Standards, Interpretation and Amendments to Existing Standards Effective Subsequent to June 30, 2018
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.

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 consolidated financial statements.

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.

Amendments to PFRS 4, *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 new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

The amendments are not applicable to the Group since the Group does not have any activities related to insurance contracts.

Amendments to PFRS 2*, Share-based Payment - Classification and Measurement of Share-based Payment Transactions*
The amendments to PFRS 2 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.

The Group has assessed that the adoption of these amendments will not have any impact on the consolidated financial statements as it does not have any share-based payment transaction.

PFRS 9
PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. 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 Group is in the process of finalizing its assessment on the impact of the adoption of this standard once it becomes effective.

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.

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

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

Effective for Fiscal Year 2020
Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. Earlier application is permitted.

PFRS 16, *Leases*
PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17. Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group is in the process of finalizing its assessment on the impact of the adoption of this standard once it becomes effective.

Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. Earlier application is permitted.

Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments*
The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*, and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:
- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The Group is in the process of finalizing its assessment on the impact of the adoption of this standard once it becomes effective.

Effective for Fiscal Year 2021
PFRS 17, *Insurance Contracts*
The standard establishes the principles for the recognition, measurement, presentation and disclosure of Insurance contracts within the scope of the Standard. The objective of is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

Some contracts meet the definition of an insurance contract but have as their primary purpose the provision of services for a fixed fee. Such issued contracts are in the scope of the standard, unless an entity chooses to apply to them PFRS 15 and provided the following conditions are met:

(a) the entity does not reflect an assessment of the risk associated with an individual customer in setting the price of the contract with that customer;
(b) the contract compensates the customer by providing a service, rather than by making cash payments to the customer; and
(c) the insurance risk transferred by the contract arises primarily from the customer's use of services rather than from uncertainty over the cost of those services.

The amendments did not have any impact on the consolidated financial statements as the Group does not have any activities related to insurance contracts.

Deferred Effectivity

Amendments to PFRS 10 and PAS 28 - *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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

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

4. Summary of Significant Accounting and Financial Reporting Policies

Business Combinations and Goodwill

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

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

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

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

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

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

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated balance sheet based on current or noncurrent classification.

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

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

Fair Value Measurement

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

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

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

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

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

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs at the close of business on the reporting date. When current bid prices and asking prices are not available, the prices of the most recent transaction provide evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

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

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

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

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

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

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

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

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

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

All financial assets are recognized initially at fair value, except for financial assets at FVPL, plus directly attributable transaction costs.

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

The Group's financial assets include loans and receivables and AFS financial assets. The Group has no financial assets classified at FVPL and HTM investments as at June 30, 2018 and 2017.

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

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

This accounting policy relates to the Group's "Cash and cash equivalents" and "Receivables".

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

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

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

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

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

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

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

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

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

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. If a 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 the consolidated statement of income.

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

Derecognition of Financial Assets

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

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

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

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

Financial Liabilities

Initial Recognition and Measurement. Financial liabilities within the scope of PAS 39 are classified as financial liabilities at FVPL and other liabilities at amortized costs. The Group determines the classification of its financial liabilities at initial recognition.

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

The Group's financial liabilities consist of other financial liabilities. As at June 30, 2018 and 2017, the Group has no financial liabilities classified as financial liabilities at FVPL and derivatives designated as hedging instruments in an effective hedge.

Other Financial Liabilities. This category pertains to financial liabilities that are not held for trading or not designated as financial liabilities at FVPL upon the inception of the liability. These include liabilities arising from operations and borrowings. Other financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the EIR method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the EIR amortization process.

This category includes notes payable and trade and other payables (excluding statutory 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 consolidated financial statements until an obligation to pay the liability of another party to the arrangement is established. It is only disclosed as part of liquidity risk of the Group.

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

Offsetting of Financial Instruments

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

Inventories

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

Real Estate Held for Sale and Development

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

Advances to Supplier

Advances to suppliers represent advance payment on goods or services to be purchased in connection with the Group's operations. These are charged against profit or loss as actual receipt of goods or services, which is normally within twelve months or within the operating cycle.

Advances for Land Maintenance

Advances for land maintenance pertains to costs advanced for future land preparation, planting and harvesting.

Property, Plant and Equipment

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

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

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

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

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

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

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

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

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

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

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

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

Investment Property

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

Investment properties are derecognized either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between disposal proceeds, net of transaction costs and applicable taxes, after considering fair value change at the time of the transaction and the carrying amount of the asset is recognized in the consolidated statement of income in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. In the case of an owner-occupied property becoming an investment property, previously recognized revaluation surplus is retained until such time that the property is disposed. On subsequent disposal, the revaluation surplus may be transferred to retained earnings; note that this transfer is not made through the consolidated statement of income.

Impairment of Nonfinancial Assets

Property, Plant and Equipment, Advances to Suppliers and Advances for Land Maintenance

The Group assesses at each reporting date whether there is an indication that these non-financial 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 consolidated statement of income in those expense categories consistent with the function of the impaired asset.

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

Goodwill
Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

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

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

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

<u>Equity</u>
Capital Stock
Capital stock is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as deduction from proceeds, net of tax.

Retained Earnings
The amount included in retained earnings includes accumulated profits attributable to the Group's equity holders and reduced by dividends. Dividends are recognized as a liability and deducted from equity when they are approved by the Group's stockholders. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date. Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Retained earnings are appropriated for any plan of business expansion. When the appropriation is no longer needed, it is reversed.

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

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

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

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

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

Sale of By-Products
Sale of by-products, which includes alcohol, carbon dioxide and yeasts, is recognized upon shipment or delivery and acceptance by the customers. Sale of by-products is presented in the consolidated statement of income under "Sale of sugar and by products" line item.

Tolling Fee
Revenue is recognized when services have been rendered.

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

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

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

Nonrefundable payments by customers are recognized as other income.

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

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

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

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

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

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

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 reporting date.

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

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

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

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

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and sufficient future taxable profits will be available against which the temporary differences can be utilized.

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

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

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

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

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

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

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

Enactment of New Tax Law
Republic Act No. 10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law on December 9, 2017 and took effect January 1, 2018. Although the TRAIN changes existing tax law and includes several provisions the generally affect businesses, the same did not have any significant impact on the consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

An operating segment is a component of an entity:

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

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

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

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

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

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

5. Summary of Significant Accounting Judgments, Estimates and Assumptions

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

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The following items are those matters which the Group assess to have significant risks arising from judgements and estimation uncertainties.

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

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

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

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

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

Contingencies
The Group's estimate of the probable costs for the resolution of claims and proceedings has been developed in consultation with outside counsel handling defense in these matters and is based upon an analysis of potential results. Management and its legal counsels believe that the Group has substantial legal and factual bases for its position and are of the opinion that losses arising from these legal actions, if any, will not have a material adverse impact on the Group's financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings. Management assessed that the likelihood that any liability arising from such legal actions is remote, hence, no provision for liability has been recognized in the consolidated financial statements.

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

Allowance for Doubtful Accounts
Allowance for doubtful accounts is determined through the specific identification. Through this method, the Group evaluates the information available that certain debtors are unable to meet their financial obligations. In this case, management uses judgment, based on the best available facts and

circumstances, including but not limited to, the length of relationship with the debtor and the debtor's current credit status based on third party credit reports and known market factors, to record specific reserves for debtors against amounts due to reduce receivable amounts to expected collection. This specific reserve is re-evaluated and adjusted as additional information received affects the amounts estimated. The amounts and timing of recorded provision for doubtful accounts for any period would differ if the Group made different assumptions or utilized different estimates.

Provisions for doubtful accounts recognized in 2018, 2017 and 2016 amounted to ₱1.2 million, ₱0.4 million and ₱1.5 million, respectively. The allowance for doubtful accounts on receivable amounted to ₱9.2 million and ₱9.1 million as at June 30, 2018 and 2017, respectively. The carrying amounts of receivables as at June 30, 2018 and 2017 amounted to ₱921.3 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 ₱0.6 million, ₱0.1 million and nil in 2018, 2017 and 2016, respectively, was recognized. Reversal of inventory obsolescence amounted to ₱2.4 million in 2016 and nil in 2018 and 2017. The carrying amounts of inventories as at June 30, 2018 and 2017 amounted to ₱235.7 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 2018, 2017 and 2016. The carrying amounts of AFS financial assets as at June 30, 2018 and 2017 amounted to ₱173.9 million and ₱172.5 million, respectively (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.

There was no allowance for decline in real estate inventory value in 2018 and 2017. The carrying amounts of real estate inventories as at June 30, 2018 and 2017 amounted to ₱988.4 million (see Note 10).

Revalued Amount of Land under Property, Plant and Equipment and Fair Value of Investment Property
The Group has property, plant and equipment and investment property carried at revalued amount and fair value, respectively. These consist of land which is being valued by reference to market using comparable prices adjusted for specific market factors such as location and condition of the property. The Group engaged an external appraiser to determine revalued amount and fair value as at June 30, 2018 and 2017.

The methods and significant assumptions used by the appraiser in estimating fair values of land are discussed in Note 15. The revalued amount of land under property, plant and equipment as at June 30, 2018 and 2017 amounted to ₱810.6 million and ₱874.0 million, respectively (see Note 15). The fair value of land under investment property amounted to ₱0.2 billion and ₱1.5 billion in June 30, 2018 and 2017, respectively (see Note 15).

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 2018, 2017 and 2016. The carrying values of property, plant and equipment carried at cost as at June 30, 2018 and 2017 amounted to ₱565.6 million and ₱503.4 million, respectively (see Note 14).

Impairment of Nonfinancial Asset
The Group assesses whether there are any indicators of impairment for property plant and equipment advances to suppliers and advances for land maintenance whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

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

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

There were no provision for impairment losses recognized in 2018, 2017 and 2016. The fair values of land under property plant and equipment as at June 30, 2018 and 2017 amounted to ₱810.6 million and ₱874.0 million, respectively (see Note 15). The carrying amounts of property, plant and equipment carried at cost as at June 30, 2018 and 2017 amounted to ₱565.6 million and

₱503.4 million, respectively (see Note 14). The carrying amounts of advances to supplier and advances for land maintenance as at June 30, 2018 and 2017 amounted to ₱380.6 million and ₱293.9 million, respectively (see Notes 11 and 16).

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

During the year ended June 30, 2018, the Group recognized impairment loss amounting to ₱199.7 million. As at June 30, 2018 and 2017, goodwill amounted to ₱502.4 million and ₱702.1 million, respectively (see Note 12).

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

The Group's deferred income tax assets arising from temporary differences as at June 30, 2018 and 2017 amounted to ₱14.9 million and ₱26.1 million, respectively (see Note 27). Unrecognized deferred income tax assets arising from temporary differences, NOLCO and MCIT are disclosed in Note 27.

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

Retirement income recognized in 2018, 2017 and 2016 amounted to ₱11.2 million, ₱10.8 million and ₱5.4 million, respectively (see Note 25). The carrying amounts of the Group's net retirement asset as at June 30, 2018 and 2017 amounted to ₱709.5 million and ₱339.4 million, respectively (see Note 25).

6. **Segment Information**

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

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

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

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

2018

	Sugar and by-products	**Sale of land and other real estate activities**	**Eliminations**	**Total**
Revenues	**₱1,265,027,892**	**₱43,724,451**	**₱–**	**₱1,308,752,343**
Cost of goods sold and services	**808,735,445**	**21,518,325**	**–**	**830,253,770**
Gross income	**456,292,447**	**22,206,126**	**–**	**478,498,573**
Gain on fair value change of investment property	**33,029,220**	**–**	**–**	**33,029,220**
Interest income	**29,426,383**	**294,467**	**–**	**29,720,850**
Operating expenses	**(118,084,615)**	**(11,762,823)**	**–**	**(129,847,438)**
Interest expense	**(119,328,872)**	**(794,316)**	**–**	**(120,123,188)**
Other income (expense) - net	**(135,776,648)**	**514,997,045**	**–**	**379,220,397**
Segment income before income tax	**₱145,557,915**	**₱524,940,499**	**₱–**	**₱670,498,414**
Segment assets	**₱5,623,051,559**	**₱846,026,181**	**(₱535,387,818)**	**₱5,933,689,922**
Segment liabilities	**₱1,977,848,409**	**₱1,705,526,096**	**(₱1,589,992,354)**	**₱2,093,382,151**

2017

	Sugar and by-products	Sale of land and other real estate activities	Eliminations	Total
Revenues	₱1,265,566,416	₱39,229,718	₱–	₱1,304,796,134
Cost of goods sold and services	794,708,813	21,946,099	–	816,654,912
Gross income	470,857,603	17,283,619	–	488,141,222
Gain on fair value change of investment property	129,000,000	–	–	129,000,000
Interest income	89,007,406	171,110	(62,093,652)	27,084,864
Operating expenses	(143,019,023)	(15,902,940)	–	(158,921,963)
Interest expense	(137,168,737)	(63,012,203)	62,093,652	(138,087,288)
Other income - net	34,523,339	256,776	–	34,780,115
Segment income before income tax	₱443,200,588	(₱61,203,638)	₱–	₱381,996,950
Segment assets	₱6,114,080,043	₱836,944,276	(₱139,053,359)	₱6,811,970,960
Segment liabilities	₱3,623,298,934	₱1,705,521,518	(₱1,593,113,253)	₱3,735,707,199

2016

	Sugar and by-products	Sale of land and other real estate activities	Eliminations	Total
Revenues	₱1,179,804,750	₱34,233,618	₱–	₱1,214,038,368
Cost of goods sold and services	732,921,261	18,151,092	–	751,072,353
Gross income	446,883,489	16,082,526	–	462,966,015
Interest income	57,375,021	302,990	(56,452,190)	1,225,821
Operating expenses	(99,626,415)	(10,504,824)	–	(110,131,239)
Interest expense	(121,613,901)	(58,526,399)	56,452,190	(123,688,110)
Other income - net	22,387,662	15,752,255	–	38,139,917
Segment income before income tax	₱305,405,856	(₱36,893,452)	₱–	₱268,512,404
Segment assets	₱5,456,744,402	₱844,684,822	(₱73,497,442)	₱6,227,931,782
Segment liabilities	₱3,220,693,691	₱1,653,331,093	(₱1,527,557,336)	₱3,346,467,448

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

7. Cash and Cash Equivalents

	2018	2017
Cash on hand and in banks	**₱355,034,451**	₱238,050,010
Short-term investments	**144,847**	144,847
	₱355,179,298	₱238,194,857

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

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

Interest income earned from cash in banks and short-term investments amounted to ₱1.0 million, ₱0.6 million and ₱0.6 million in 2018, 2017 and 2016, respectively.

8. Receivables

	2018	2017
Trade:		
Non-affiliates	**₱70,907,561**	₱145,366,117
Nontrade:		
Due from related parties (see Note 26)	**763,126,424**	523,195,962
Planters' receivables	**6,615,154**	5,678,150
Advances to Tarlac Development Corporation (TDC)	**30,436,879**	30,436,879
Advances to Luisita Golf and Country Club, Inc. (LGCCI)	**22,700,993**	13,006,959
Advances to CAT Realty Corporation (CRC)	**15,422,542**	15,422,542
Advances to Jose Cojuanco and Sons, Inc. (JCSI)	**14,600,758**	14,600,758
Others	**6,657,474**	24,217,567
	930,467,785	771,924,934
Less allowance for doubtful accounts	**9,166,802**	9,103,776
	₱921,300,983	₱762,821,158

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

Planters' receivables are subject to interest at 12% per annum in 2018, 2017 and 2016. Interest income earned from planters' receivables amounted to ₱0.04 million, ₱0.3 million and ₱0.4 million in 2018, 2017 and 2016, respectively.

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

Movements in the allowance for doubtful accounts are summarized below:

2018

	Trade	**Nontrade**	**Total**
Balances at beginning of year	**₱3,977,254**	**₱5,126,522**	**₱9,103,776**
Provisions (see Note 22)	**94,074**	**1,112,743**	**1,206,817**
Reversals	**7,366**	**–**	**7,366**
Write-off	**(1,151,157)**	**–**	**(1,151,157)**
Balances at end of year	**₱2,927,537**	**₱6,239,265**	**₱9,166,802**

2017

	Trade	Nontrade	Total
Balances at beginning of year	₱4,189,053	₱4,765,438	₱8,954,491
Provisions (see Note 22)	40,671	361,084	401,755
Write-off	(252,470)	–	(252,470)
Balances at end of year	₱3,977,254	₱5,126,522	₱9,103,776

9. **Inventories**

	2018	2017
At cost:		
Alcohol	**₱170,306,022**	₱154,156,869
Molasses	**27,705,375**	87,193,238
Raw sugar	**6,573**	95,086,980
At NRV:		
Spare parts and supplies	**37,715,003**	56,684,652
	₱235,732,973	₱393,121,739

The following table is a rollforward analysis of the inventory write-down recognized on spare parts and supplies to arrive at NRV:

	2018	2017
Balances at beginning of year	**₱4,857,853**	₱4,770,406
Write-down (see Note 22)	**615,078**	87,447
Balances at end of year	**₱5,472,931**	₱4,857,853

10. Real Estate Held for Sale and Development

This account is consists of:

Land held for development	₱981,516,357
Land available for sale	6,881,978
	₱988,398,335

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

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

11. Other Current Assets

	2018	2017
Advances to suppliers - net of allowance of ₱6.4 million in 2018 and 2017	**₱190,769,913**	₱123,000,916
Prepaid tax	**21,902,939**	26,640,015
Prepaid insurance	**4,443,742**	1,850,854
Others	**2,500,789**	1,297,813
	₱219,617,383	₱152,789,598

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

12. Goodwill

The Group performed its impairment review of goodwill as at June 30, 2018 and 2017. Based on the impairment review as at June 30, 2018, the carrying value of the CGU, including goodwill, exceeded the recoverable amount by ₱199.7 million, which is calculated through value in use. This was recognized as an impairment loss for the year ended June 30, 2018. As at June 30, 2017, recoverable amount exceeded the carrying value of the CGU, including goodwill, thus, no impairment loss was recognized for the year ended June 30, 2017.

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 11.85% and 10.18% in 2018 and 2017, respectively.

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

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

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

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

	2018	2017
Proprietary shares	**₱173,400,000**	₱171,800,000
Investment in shares of stock:		
Listed	**387,540**	527,748
Unlisted	**162,000**	162,000
	₱173,949,540	₱172,489,748

The movements in this account are as follows:

	2018	2017
Balances at beginning of year	**₱172,489,748**	₱104,066,900
Changes in fair value of AFS financial assets	**1,459,792**	68,422,848
Balances at end of year	**₱173,949,540**	₱172,489,748

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

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

	2018	2017
Balances at beginning of year	**₱139,069,893**	₱77,489,330
Unrealized gain (loss) on AFS financial assets	**(13,816,725)***	61,580,563
Balances at end of year	**₱125,253,168**	₱139,069,893

**Includes the effect of change in tax rate*

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

2018

	Machinery and equipment	Agricultural machinery and equipment	Furniture, fixtures and equipment	Transportation equipment	Buildings and improvements	Land improvements	Communication and utility systems	Roads and bridges	Construction in progress	Total
Cost:										
Balances at beginning of year	**₱1,519,736,314**	**₱87,081,162**	**₱84,356,220**	**₱26,424,258**	**₱142,394,187**	**₱45,809,097**	**₱7,973,878**	**₱12,350,552**	**₱21,354,534**	**₱1,947,480,202**
Additions	**32,083,420**	**48,228,827**	**4,150,538**	**24,984,224**	**5,539,950**	**5,002**	**289,093**	**–**	**79,871,173**	**195,152,227**
Disposals	**(724,957)**	**(15,560,142)**	**(547,959)**	**–**	**–**	**–**	**(3,571)**	**–**	**–**	**(16,836,629)**
Reclassifications	**74,175,712**	**–**	**(349,828)**	**2,151,786**	**5,503,429**	**176,786**	**–**	**–**	**(81,882,409)**	**(224,524)**
Balances at end of year	**1,625,270,489**	**119,749,847**	**87,608,971**	**53,560,268**	**153,437,566**	**45,990,885**	**8,259,400**	**12,350,552**	**19,343,298**	**2,125,571,276**
Accumulated depreciation and amortization:										
Balances at beginning of year	**1,214,620,404**	**15,859,394**	**34,481,648**	**8,105,215**	**109,088,596**	**42,381,911**	**7,176,777**	**12,350,536**	**–**	**1,444,064,481**
Depreciation and amortization (see Notes 19, 20, 21 and 22)	**85,045,506**	**13,988,414**	**4,116,642**	**5,762,045**	**8,295,414**	**1,298,851**	**310,616**	**–**	**–**	**118,817,488**
Disposals	**(724,953)**	**(1,694,419)**	**(509,989)**	**–**	**–**	**–**	**(3,213)**	**–**	**–**	**(2,932,574)**
Reclassifications	**(11,132)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(11,132)**
Balances at end of year	**1,298,929,825**	**28,153,389**	**38,088,301**	**13,867,260**	**117,384,010**	**43,680,762**	**7,484,180**	**12,350,536**	**–**	**1,559,938,263**
Net book values	**₱326,340,664**	**₱91,596,458**	**₱49,520,670**	**₱39,693,008**	**₱36,053,556**	**₱2,310,123**	**₱775,220**	**₱16**	**₱19,343,298**	**₱565,633,013**

2017

	Machinery and equipment	Agricultural machinery and equipment	Furniture, fixtures and equipment	Transportation equipment	Buildings and improvements	Land improvements	Communication and utility systems	Roads and bridges	Construction in progress	Total
Cost:										
Balances at beginning of year	₱1,414,362,751	₱49,383,727	₱79,971,827	₱22,998,435	₱132,697,530	₱45,538,055	₱7,557,483	₱12,350,552	₱9,529,543	₱1,774,389,903
Additions	98,733,955	37,697,435	4,384,393	3,425,823	9,654,339	271,042	416,395	–	18,551,560	173,134,942
Disposal	(44,643)	–	–	–	–	–	–	–	–	(44,643)
Reclassifications	6,684,251	–	–	–	42,318	–	–	–	(6,726,569)	–
Balances at end of year	1,519,736,314	87,081,162	84,356,220	26,424,258	142,394,187	45,809,097	7,973,878	12,350,552	21,354,534	1,947,480,202
Accumulated depreciation and amortization:										
Balances at beginning of year	1,140,448,792	5,358,592	30,424,707	5,923,850	102,909,369	40,914,095	6,916,724	12,350,536	–	1,345,246,665
Depreciation and amortization (see Notes 19, 20, 21 and 22)	74,179,898	10,500,802	4,056,941	2,181,365	6,179,227	1,467,816	260,053	–	–	98,826,102
Disposal	(8,286)	–	–	–	–	–	–	–	–	(8,286)
Balances at end of year	1,214,620,404	15,859,394	34,481,648	8,105,215	109,088,596	42,381,911	7,176,777	12,350,536	–	1,444,064,481
Net book values	₱305,115,910	₱71,221,768	₱49,874,572	₱18,319,043	₱33,305,591	₱3,427,186	₱797,101	₱16	₱21,354,534	₱503,415,721

15. **Land**

Land recognized under property, plant and equipment is carried at revalued amount of ₱810.6 million and ₱874.0 million as at June 30, 2018 and 2017, respectively.

The fair value, categorized as Level 3 in the fair value hierarchy, is based on valuations determined by an independent appraiser, accredited by the Philippine SEC, as at June 30, 2018 and 2017. The valuation models used by the appraiser are in accordance with that recommended by the International Valuation Standards Council. The current use of the land is its highest and best use.

The fair value of the land is determined using the market data (direct sales comparison) approach. Under this approach, a property's fair value is estimated based on comparable properties sold in the market 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 being appraised. These sold properties are compared property being appraised based on key units of comparison. Adjustments are made to account for identified differences against the comparables, resulting in adjusted sales values for each of the comparable.

Property and Equipment

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

	2018	2017
Balances at beginning of year	**₱874,000,000**	₱716,600,000
Reclassification to investment property	**(38,513,500)**	–
Revaluation increment	**(24,936,100)**	157,400,000
Balances at end of year	**₱810,550,400**	₱874,000,000

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

	2018	2017
Balances at beginning of year	**₱1,946,793,293**	₱1,836,613,293
Revaluation increment	**(17,455,270)**	110,180,000
Reclassification to investment property	**11,325,200**	–
Sale of investment property	**(1,181,600,009)**	–
Balances at end of year	**₱759,063,214**	₱1,946,793,293
Attributable to:		
Property, plant and equipment	**₱561,729,577**	₱605,610,313
Property, plant and equipment reclassified to investment property	**197,333,637**	1,341,182,980
	₱759,063,214	₱1,946,793,293

Investment Property

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

	2018	2017
Balances at beginning of year	**₱1,486,400,000**	₱1,357,400,000
Change in fair value	**33,029,220**	129,000,000
Reclassification from property, plant and equipment	**38,513,500**	–
Sale of investment property	**(1,334,381,340)**	–
	₱223,561,380	₱1,486,400,000

Sale of investment property made on an installment basis over a period of six years pertains to the sale of land in April 2018 which resulted to the recognition of gain amounting to ₱515.4 million, net of tax of ₱174.0 million, for the year ended June 30, 2018.

Also on the same date, the Group entered into a deed of assignment effectively transferring all the risk and reward of collection of the installment receivable, on a non-recourse basis, for a consideration resulting to the recognition of gain amounting to ₱36.7 million for the year ended June 30, 2018.

16. Other Noncurrent Assets

	2018	2017
Advances for land maintenance	**₱189,821,625**	₱170,858,885
Deferred charges	**28,912,779**	23,674,596
Recoverable deposits	**9,140,572**	4,237,677
Others	**20,000**	20,000
	₱227,894,976	₱198,791,158

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

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

17. Trade and Other Payables

	2018	2017
Trade payables	**₱207,575,544**	₱226,406,892
Accruals:		
Freight and transportation	**47,810,771**	43,923,840
Spare parts, supplies and inventory cost	**43,259,533**	28,907,316
Professional fees	**38,628,295**	2,891,694
Repairs and maintenance	**26,507,743**	28,677,655
Interest and penalties	**23,717,641**	31,202,714
Salaries, wages and other benefits	**8,965,012**	2,442,022
Taxes	**1,152,112**	6,538,023
Others	**27,572,035**	30,365,218
Dividends payable (see Note 29)	**50,856,977**	–
Due to a related party (see Note 26)	**13,025,174**	13,025,174
Estimated liability for cash surrender value	**2,873,647**	2,527,345
Customers' advances	**965,822**	1,658,305
Other payables	**58,130,369**	68,226,990
	₱551,040,675	₱486,793,188

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

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

18. Notes Payable

Short-term Bank Notes

	2018	2017
Working capital facilities	**₱925,000,000**	₱753,333,334
Promissory notes	**20,380,104**	19,585,788
	₱945,380,104	₱772,919,122

₱925.0 million Working Capital Facilities Agreement (WCFA)
The Group has an existing WCFA with BDO. Under the WCFA, the Group can avail short-term loan totaling up to ₱925.0 million at 4.25% interest rate per annum.

Promissory Notes
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 ₱34.9 million, ₱27.1 million and ₱11.7 million in 2018, 2017 and 2016, respectively.

Long-term Bank Notes
As at June 30, 2017, this account consists of:

Local bank	₱2,058,000,000
Less deferred financing cost	15,492,406
	2,042,507,594
Less current portion	14,420,921
	₱2,028,086,673

On October 15, 2014, the Group obtained a long-term interest-bearing loan from a local bank amounting to ₱2.1 billion using portion of the Group's land as collateral. 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 ₱1,050.0 million each for the purposes of interest computation. Series A incurs and interest of 5.25% per annum or PDST-R1 on the interest selling date plus a spread of 137 basis points, whichever is higher. Series B incurs an interest of 4.0% per annum of the prevailing BSP Overnight Repurchase Rate on the interest selling date plus a spread of 25 basis points, whichever is higher. As at June 30, 2018, 2017 and 2016, the interest expense related to this loan amounted to ₱83.8 million, ₱110.9 million and ₱112.0 million, respectively, including amortization of the transaction cost amounting to ₱5.0 million, ₱6.3 million and ₱6.1 million, respectively.

On April 4, 2018, the Group pre-terminated the loan from BDO Unibank for a total consideration of ₱2.4 billion which resulted to the recognition of loss on early retirement amounting to ₱10.5 million (see Note 24).

19. **Cost of Goods Sold**

	2018	2017	2016
Inventory costs, spare parts, and supplies	**₱327,632,895**	₱355,713,420	₱322,180,619
Depreciation and amortization (see Notes 14 and 23)	**99,711,895**	87,313,991	46,335,259
Repairs and maintenance	**89,311,786**	67,774,823	98,342,489
Salaries, wages, bonuses and other benefits (see Note 23)	**68,547,332**	61,122,358	48,162,881
Security and outside services	**41,666,043**	41,246,349	44,397,278
Freight and transportation	**38,973,698**	40,251,405	37,513,945
Power and steam	**15,733,877**	6,162,231	7,307,801
Insurance	**4,490,699**	8,462,544	4,291,630
Taxes and licenses	**3,364,382**	2,304,577	1,525,505
Others	**22,351,754**	21,919,340	19,970,993
	₱711,784,361	₱692,271,038	₱630,028,400

20. **Cost of Tolling Services**

	2018	2017	2016
Power and steam	**₱41,512,856**	₱44,742,226	₱44,637,716
Spare parts and supplies	**10,728,705**	4,348,109	11,200,723
Salaries, wages, bonuses and other benefits (see Note 23)	**10,444,768**	10,881,452	8,725,166
Depreciation and amortization (see Notes 14 and 23)	**10,138,182**	5,633,995	4,085,204
Repairs and maintenance	**9,561,976**	22,000,353	20,375,983
Security and outside services	**5,198,242**	5,225,761	5,456,280
Freight and transportation	**5,020,539**	4,654,472	4,709,634
Taxes and licenses	**2,482,514**	1,797,511	1,657,415
Insurance	**627,619**	1,428,683	966,147
Others	**1,235,683**	1,725,213	1,078,593
	₱96,951,084	₱102,437,775	₱102,892,861

21. **Cost of Industrial Services**

	2018	2017	2016
Power and steam	**₱5,660,670**	₱4,649,350	₱4,782,204
Security and outside services	**3,527,209**	3,491,970	2,846,612
Repairs and maintenance	**2,167,450**	2,767,596	4,201,063
Depreciation and amortization (see Notes 14 and 23)	**2,038,303**	2,028,528	2,289,776
Materials	**1,430,651**	1,042,599	793,419
Taxes and licenses	**368,681**	256,032	271,446
Personnel cost (see Note 23)	**283,967**	513,224	1,891,073
Termination expense	**–**	2,318,397	–
Others	**6,041,393**	4,878,403	991,132
	₱21,518,324	₱21,946,099	₱18,066,725

22. **Operating Expenses**

	2018	2017	2016
Personnel cost (see Note 23):			
Salaries, wages, bonuses and other benefits	**₱38,083,006**	₱32,116,844	₱35,344,253
Retirement	**–**	–	29,800
Professional fees	**29,988,087**	27,943,614	22,548,743
Taxes and licenses	**15,231,954**	23,097,393	13,700,453
Transportation and travel	**9,100,037**	8,637,985	6,265,888
Security and janitorial services	**8,066,232**	11,155,669	997,114
Depreciation and amortization (see Notes 14 and 23)	**6,929,108**	3,849,588	2,905,772
Repairs and maintenance	**6,152,910**	9,578,837	6,768,000
Rentals (see Note 26)	**3,306,501**	3,021,017	3,167,963
Dues and advertisements	**2,603,946**	2,896,027	1,044,707
Entertainment, amusement and recreation	**1,944,894**	1,825,283	1,897,476
Provision for doubtful accounts (see Note 8)	**1,206,817**	401,755	1,481,986
Bank charges	**899,944**	1,018,233	1,378,294
Light and water	**793,072**	626,940	912,623
Inventory write-down (see Note 9)	**615,078**	87,447	6,384,758
Postage, telephone and telegram	**458,390**	601,762	633,858
Management fees and bonuses	**243,000**	380,000	276,500
Termination Expense	**–**	1,238,552	–
Others	**4,224,462**	30,445,017	4,363,051
	₱129,847,438	₱158,921,963	₱110,101,239

23. **Nature of Expense**

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

	2018	2017	2016
Cost of goods sold (see Note 19)	**₱99,711,895**	₱87,313,991	₱46,335,259
Cost of tolling services (see Note 20)	**10,138,182**	5,633,995	4,085,204
Cost of industrial services (see Note 21)	**2,038,303**	2,028,528	2,289,776
Operating expenses (see Note 22)	**6,929,108**	3,849,588	2,905,772
	₱118,817,488	₱98,826,102	₱55,616,011

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

	2018	2017	2016
Cost of goods sold			
Salaries, wages, bonuses and other benefits	**₱68,547,332**	₱61,122,358	₱48,162,881
Cost of tolling services			
Salaries, wages, bonuses and other benefits	**10,444,768**	10,881,452	8,725,166
Cost of industrial services			
Salaries, wages, bonuses and other benefits	**283,967**	513,224	1,750,558
Net retirement benefit expense	**–**	–	140,515
Operating expenses			
Salaries, wages, bonuses and other benefits	**38,083,006**	32,116,844	35,344,253
Net retirement benefit expense	**–**	–	29,800
Other income - net			
Net retirement income (see Notes 24 and 25)	**(11,190,093)**	(10,818,686)	(5,447,852)
	₱106,168,980	₱93,815,192	₱88,705,321

24. **Other Income (Expense)** - net

	2018	2017	2016
Gain on sale of investment property (see Note 15)	**₱515,432,932**	₱–	₱–
Gain on factoring of receivable (see Note 15)	**36,716,288**	–	–
Retirement income (see Notes 23 and 25)	**11,190,093**	10,818,686	5,447,852
Insurance fee	**10,854,789**	9,984,590	5,853,262
Sale of scraps	**6,677,339**	5,912,289	–
Storage fee	**6,470,750**	7,125,730	5,925,172
Loss on impairment of goodwill (see Note 12)	**(199,727,679)**	–	–
Loss on early retirement of long-term notes payable (see Note 18)	**(10,515,236)**	–	–
Gain on sale of shares	**–**	–	25,622,574
Reversal of inventory write-down (see Note 9)	**–**	–	2,426,801
Others	**2,121,121**	938,820	(7,165,744)
	₱379,220,397	₱34,780,115	₱38,109,917

25. **Retirement Cost**

Parent Company

The Parent Company maintains a tax-qualified, funded, noncontributory defined benefit retirement plan covering substantially all of its permanent employees. The benefits are based on years of service and compensation during the latest year of employment. The latest retirement valuation was made as at June 30, 2018.

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

2018

		Net Benefit Cost in Profit or Loss				Remeasurements in Other Comprehensive Income					
	Balance at Beginning of the Year	Current Service Cost	Past Service Cost	Net Interest	Subtotal	Return on Plan Assets	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Actuarial changes arising from changes in experience adjustments	Subtotal	Balance at End of the Year
Fair value of Plan Assets	**₱373,568,851**	**₱–**	**₱–**	**₱19,154,907**	**₱19,154,907**	**₱348,245,750**	**₱–**	**₱–**	**₱–**	**₱348,245,750**	**₱740,969,508**
Present value of Defined Benefit Obligation	**(34,166,454)**	**(6,221,250)**	**–**	**(1,743,564)**	**(7,964,814)**	**–**	**7,718,406**	**2,896,425**	**–**	**10,614,831**	**(31,516,437)**
Net Defined Benefit Asset	**₱339,402,397**	**(₱6,221,250)**	**₱–**	**₱17,411,343**	**₱11,190,093**	**₱348,245,750**	**₱7,718,406**	**₱2,896,425**	**₱–**	**₱358,860,581**	**₱709,453,071**

2017

		Net Benefit Cost in Profit or Loss				Remeasurements in Other Comprehensive Income					
	Balance at Beginning of the Year	Current Service Cost	Past Service Cost	Net Interest	Subtotal	Return on Plan Assets	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Actuarial changes arising from changes in experience adjustments	Subtotal	Balance at End of the Year
Fair value of Plan Assets	₱765,526,094	₱–	₱–	₱33,371,432	₱33,371,432	(₱425,328,675)	₱–	₱–	₱–	(₱425,328,675)	₱373,568,851
Present value of Defined Benefit Obligation	(56,695,672)	(21,956,921)	1,170,182	(2,466,425)	(23,253,164)	–	2,172,428	25,092,294	18,517,660	45,782,382	(34,166,454)
Net Defined Benefit Asset	₱708,830,422	(₱21,956,921)	₱1,170,182	₱30,905,007	₱10,118,268	(₱425,328,675)	₱2,172,428	₱25,092,294	₱18,517,660	(₱379,546,293)	₱339,402,397

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

	2018	2017
Assets:		
Cash in banks and cash equivalents	**₱19,226,655**	₱19,119,263
Investments in shares of stock	**1,052,370,185**	659,238,063
	1,071,596,840	678,357,326
Liabilities:		
Payable to CAT	**298,712,561**	272,725,079
Payable to FLHC	**1,450,428**	1,450,428
Accounts payable to various retirees	**30,464,343**	30,612,968
	330,627,332	304,788,475
Net	**₱740,969,508**	₱373,568,851

Cash equivalents are short-term deposits made for varying periods up to three months and are not subject to significant credit risk and changes in value. Investments in shares of stock consist mainly of the Parent Company's shares which are traded in the PSE with LTF owning 16.41% or 46,359,920 common shares.

The principal actuarial assumptions used are as follows:

	2018	2017
Future salary increase rate	**6.00%**	6.00%
Discount rate	**7.49%**	5.13%
Turnover rate	**A scale of 4% at age 18 decreasing to 0% at age 60**	A scale of 4% at age 18 decreasing to 0% at age 60
Average working lives (in years)	**18**	18

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

The discount rate used is a single weighted average rate based on bootstrapped Philippine Dealing System Treasury Reference Rates at various tenors. Rates for intermediate durations were interpolated. The rates were then weighted by the expected benefit payments at those durations to arrive at the single weighted average discount rate.

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

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

	2018	2017
Discount rate		
Increase of 1%	**₱28,926,252**	₱30,914,959
Decrease of 1%	**34,472,901**	37,931,266
Future salary increase rate		
Increase of 1%	**34,730,436**	38,135,060
Decrease of 1%	**28,662,241**	30,683,445

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

The Parent Company does not expect to make additional contributions to the defined benefit plan in 2019 since the plan is on a net asset position.

The average duration of the defined benefit obligation as at June 30, 2018 and 2017 is 25 and 20 years, respectively.

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

2018

	Expected Benefit Payments		
Plan Year	**Normal Retirement**	**Other than Normal Retirement**	**Total**
Less than 1 year	**₱–**	**₱663,440**	**₱663,440**
More than 1 year to 5 years	**4,071,909**	**3,755,305**	**7,827,214**
More than 5 years to 10 years	**46,812,351**	**6,141,561**	**52,953,912**
More than 10 years to 15 years	**30,307,106**	**3,602,561**	**33,909,667**
More than 15 years to 20 years	**34,861,496**	**4,390,558**	**39,252,054**
More than 20 years	**186,113,086**	**14,890,135**	**201,003,221**

2017

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

26. Related Party Transactions

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

Transactions with Related Parties

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

		Year	Transactions	Outstanding Receivables (Payables)	Terms	Conditions
Shareholders						
Receivables	(a)	**2018**	**₱–**	**₱75,458,098**	Net settlement;	Unsecured;
		2017	₱–	₱75,458,098	non-interest bearing; generally 30 days	no impairment
Payables	(b)	**2018**	**–**	**(13,025,174)**	Net settlement;	Unsecured
		2017	(10,076,518)	(13,025,174)	non-interest bearing; generally 30 days	
CRAHI						
Receivables	(c)	**2018**	**83,491,652**	**250,816,052**	Net settlement;	Unsecured;
		2017	76,378,642	167,324,400	non-interest bearing; generally 30 days	no impairment
Trust Fund						
Receivables	(d)	**2018**	**25,987,482**	**298,712,561**	Net settlement	Unsecured;
		2017	26,458,568	272,725,079	10% interest per annum; generally 30 days	no impairment
Common Control						
Green Future Innovations, Inc. (GFII)	(e)	**2018**	**76,924,173**	**76,924,173**	Net settlement;	Unsecured;
		2017	–	–	non-interest bearing; generally 30 days	no impairment
Tarlac Distillery Corporation (TADISCO)	(e)	**2018**	**43,315,333**	**43,315,333**	Net settlement;	Unsecured;
		2017	–	–	non-interest bearing; generally 30 days	no impairment
Rentals	(f)	**2018**	**–**	**–**	Payable monthly	–
		2017	3,021,017	–	in advance	
Directors, Officers and Employees						
Receivables	(g)	**2018**	**10,211,822**	**17,900,207**	Non-interest bearing;	Unsecured;
		2017	47,935,717	7,688,385	generally 30 days	no impairment

Significant transactions with related parties included in the consolidated financial statements are as follows:

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

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

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

d. Pertains to cash advances given to LTF for the funding of the manpower reduction program. Interest income amounted to ₱26.0 million, ₱26.2 million and nil as at June 30, 2018, 2017 and 2016, respectively.

e. Pertains to cash advances given to GFII and TADISCO for working capital requirements.

f. Pertains to the lease agreement First Lucky Property Corporation (FLPC) for lease of its corporate office commencing from December 1, 2014 for a period of one year extendible at the option of the Lessee for an additional period of three (3) years subject to mutually acceptable rates, terms and conditions. For the year ended June 30, 2018, FLPC as a company has been sold to a third party, thus, no longer a related party.

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

Compensation of Key Management Personnel
Short-term employee benefits of key management personnel amounted to ₱22.7 million and ₱20.0 million for the years ended June 30, 2018 and 2017, respectively.

27. Income Taxes

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

	2018	2017
Recognized in profit or loss		
Deferred income tax assets		
Unamortized portion of past service cost	**₱7,739,754**	₱10,380,634
Allowance for doubtful accounts	**1,917,824**	1,584,001
Provision for losses	**1,915,427**	1,915,427
Accruals	**1,672,892**	1,672,892
Allowance for inventory obsolescence	**1,641,879**	1,457,356
Retirement benefit	–	9,077,192
	14,887,776	26,087,502
Deferred income tax liability on retirement benefit	**5,903,592**	–
	8,984,184	26,087,502
Deferred income tax liabilities recognized in other comprehensive income		
Retirement benefit asset	**206,932,330**	99,274,155
Unrealized cumulative gains on AFS financial asset	**22,087,301**	14,586,218
	229,019,631	113,860,373
Deferred income tax liabilities recognized directly in equity		
Revaluation increment on PPE	**240,741,247**	259,547,277
Fair value adjustment on real estate held for sale and development	**79,186,027**	79,186,027
	319,927,274	338,733,304
Net deferred income tax liabilities	**₱539,962,721**	₱426,506,175

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

	2018	2017	2016
Income tax at 30% on income before income tax	**₱201,149,524**	₱114,599,085	₱80,553,721
Income tax effects of:			
Nondeductible expenses	**63,934,281**	463,513	151,220
Gain on sale of investment property	**(154,629,880)**	–	–
Gain on factoring of receivable	**(11,014,886)**	–	–
Gain on fair value change of investment property	**(9,908,766)**	(38,700,000)	–
Changes in unrecognized deferred income tax assets	**(2,437,384)**	18,693,056	19,043,843
Interest income already subjected to final tax	**(216,488)**	(150,918)	(199,740)
Income subject to final tax	**–**	–	(7,686,771)
	₱86,876,401	₱94,904,736	₱91,862,273

The Group has the following, unused NOLCO and MCIT for which deferred income tax assets have not been recognized.

	2018	2017
NOLCO	**₱106,204,971**	₱156,353,064
Allowance for doubtful accounts	**2,774,054**	3,823,771
MCIT	**1,139,620**	1,254,170
Retirement benefits	**46,785**	29,413
Others	**7,517,231**	7,517,231

The following table summarizes the movements in unused NOLCO and MCIT:

NOLCO

Period of Recognition	Availment Period	Amount	Applied	Expired	Balance
2016	2017–2019	₱54,540,721	₱–	₱–	₱54,540,721
2017	2018–2020	61,435,673	9,771,422	–	51,664,251
		₱115,976,394	₱9,771,422	₱–	₱106,204,972

MCIT

Period of Recognition	Availment Period	Amount	Applied	Expired	Balance
2016	2017–2019	₱329,631	₱–	₱–	₱329,631
2017	2018–2020	356,388	–	–	356,388
2018	2019–2021	453,601	–	–	453,601
		₱1,139,620	₱–	₱–	₱1,139,620

28. **Agreements**

Milling Agreements
The Group's milling agreements with various planters provide for a 67.0% and 33.0% sharing between the planters (including related parties) and the Group, 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 Group holds the sugar stock of the planters and traders for safekeeping. As at June 30, 2018 and 2017, the quantity of refined sugar held for traders is 277,646 lkg and 389,923 lkg, respectively.

Lease Agreement
In previous years, the Group transferred its main office and entered into an operating lease agreement with FLPC, effective from December 1, 2014 to November 30, 2015 (see Note 26). The lease contract includes a clause for the extension of the lease term for an additional period of three years at the option of the lessee subject to mutually acceptable rates, terms and conditions. The Group paid advance rental and security deposit amounting to ₱0.9 million and ₱0.8 million, respectively. Rental expense recognized in the consolidated statements of income amounted to ₱3.3 million and ₱3.0 million in 2018 and 2017, respectively.

29. **Equity**

Capital Stock
The authorized capital stock of the Parent Company is 400.0 million shares as at June 30, 2018 and 2017, with par value of ₱1 per share. The Parent Company's shares of stock were listed in the PSE on April 12, 1977. There was no active trading on the Parent Company's outstanding shares in the PSE until the Philippine SEC issued an order on January 29, 2014 lifting the order of suspension made in 2010 in relation to the registration of and permit to sell the said securities.

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

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

The total number of shareholders is 395 and 400 as at June 30, 2018 and 2017, respectively.

Retained Earnings
As of June 30, 2018, the balance are as follows:

	2018	2017
Unappropriated	**(₱104,702,606)**	₱280,932,349
Appropriated	**2,300,000,000**	200,000,000
Total	**₱2,195,297,394**	₱480,932,349

On June 28, 2018, the BOD reversed previously appropriated retained earnings amounting to ₱200.0 million. Also on the same date, the BOD approved the appropriation of its retained earnings amounting to ₱2.3 billion in anticipation of the following projects which are expected to happen within the next five years:

- ₱900.0 million for sugar business expansion which will cover the following:
  - intensified leasing of land for the purpose of increasing cane tonnage;
  - investment in logistics, such as additional trucks and trailers to improve delivery time;
  - upgrade of the refinery machineries and more robust yearly repairs; and
  - research and development costs to identify potential areas for improvement to increase cane tonnage to one million.

- ₱500.0 million for rum production which will cover the additional investment needed for bottling and mixing facilities to increase production capacity and costs for brand study.

- ₱900.0 million for ethanol production which will cover the construction of dehydrator equipment to bring alcohol proof grade from 94 to 99 in order to expand its existing ethanol business to petroleum companies in addition to its existing transactions with pharmaceutical companies.

Finally on June 28, 2018, the BOD declared dividends amounting to ₱50.9 million at ₱0.18 per share out of the Group's retained earnings as at March 30, 2018.

Basic/Diluted Earnings per Share

The basic/diluted earnings per share for the years ended June 30, 2018, 2017 and 2016 are computed as follows:

	2018	2017	2016
Net income (a)	**₱583,622,013**	₱287,092,214	₱176,650,131
Weighted average number of shares (b):			
Issued shares	**282,545,960**	282,545,960	282,545,960
Less treasury shares	**7,200**	7,200	7,200
	282,538,760	282,538,760	282,538,760
Basic/diluted earnings per share (a/b)	**₱2.07**	₱1.02	₱0.63

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

There are 7,200 shares that are in the treasury amounting to ₱7,200 as at June 30, 2018 and 2017.

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:

2018

	Fair Value Measurement Using			
	Quoted Prices in Active Markets (Level 1)	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Land classified as property, plant and equipment	**₱–**	**₱–**	**₱810,550,400**	**₱810,550,400**
Investment property	**–**	**–**	**223,561,380**	**223,561,380**
AFS financial assets - quoted	**173,787,540**	**–**	**–**	**173,787,540**
	₱173,787,540	**₱–**	**₱1,034,111,780**	**₱1,207,899,320**

2017

	Fair Value Measurement Using			
	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Land classified as property, plant and equipment	₱–	₱–	₱874,000,000	₱874,000,000
Investment property	–	–	1,486,400,000	1,486,400,000
AFS financial assets - quoted	172,327,748	–	–	172,327,748
	₱172,327,748	₱–	₱2,360,400,000	₱2,532,727,748

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

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

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

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

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

Unobservable Inputs	Amount or Percentage of Unobservable Inputs	Relationship of Unobservable Inputs to Fair Value
Sale/asking price per sq.m.	₱460 to ₱1,000	The higher the value, the higher the fair value
Conditions on sale of comparable properties	25.0%	The more onerous the conditions in contract of sale of comparable properties, the higher the fair value
Physical Adjustments	50.0%	The superiority of the quality of the Group's land, the higher the fair value

Fair value of all other assets and liabilities approximates their carrying values as at June 30, 2018 and are disclosed in their respective notes. Below are the descriptions of the Group's financial instruments that are carried in the consolidated financial statements as at June 30, 2018 and 2017.

Cash and Cash Equivalents, Receivables, Short-term Notes Payable and Trade and Other Payables
Due to the short-term nature of these financial instruments, their fair values approximate the carrying amounts as at reporting 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 reporting date since these are mostly actively traded in organized financial market. Investments in shares of stock that are not listed have 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, 2018 and 2017, respectively.

As of June 30, 2017, the fair value and carrying amount of the Group's notes payable amounts to ₱2.0 billion.

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

31. **Financial Risk Management Objectives and Policies**

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

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

Liquidity Risk

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

The table below summarizes the maturity profile of the Group's financial liabilities based on undiscounted payments:

2018

	Within 30 Days	**Within 1 Year**	**Above 1 Year**	**Total**
Notes payable	**₱–**	**₱945,380,104**	**₱–**	**₱945,380,104**
Trade payables	**1,968,876**	**205,606,668**	**–**	**207,575,544**
Due to a related party	**–**	**13,025,174**	**–**	**13,025,174**
Accruals*	**–**	**216,461,030**	**–**	**216,461,030**
Dividends payable	**–**	**50,856,977**	**–**	**50,856,977**
Other payables	**–**	**58,130,369**	**–**	**58,130,369**
	₱1,968,876	**₱1,489,460,322**	**₱–**	**₱1,491,429,198**

**Excluding statutory liabilities*

2017

	Within 30 Days	Within 1 Year	Above 1 Year	Total
Notes payable	₱40,395,462	₱746,944,581	₱2,028,086,673	₱2,815,426,716
Trade payables	96,572,722	129,834,170	–	226,406,892
Due to a related party	–	13,025,174	–	13,025,174
Accruals*	–	168,410,459	–	168,410,459
Other payables	1,599,937	66,627,053	–	68,226,990
	₱138,568,121	₱1,124,841,437	₱2,028,086,673	₱3,291,496,231

**Excluding statutory liabilities*

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

2018

	Within 30 Days	**Within 1 Year**	**Above 1 Year**	**Total**
Cash and cash equivalents	**₱355,179,298**	**₱–**	**₱–**	**₱355,179,298**
Receivables:				
Trade	**3,025,521**	**51,154,001**	**–**	**54,179,522**
Receivable from real estate contractors	**–**	**–**	**16,728,039**	**16,728,039**
Planters' receivables	**–**	**6,615,154**	**–**	**6,615,154**
Due from related parties	**–**	**763,126,424**	**–**	**763,126,424**
Advances	**–**	**83,161,172**	**–**	**83,161,172**
Others	**–**	**6,657,474**	**–**	**6,657,474**
AFS financial assets:				
Proprietary	**173,400,000**	**–**	**–**	**173,400,000**
Listed	**387,540**	**–**	**–**	**387,540**
Unlisted	**162,000**	**–**	**–**	**162,000**
	₱532,154,359	**₱910,714,225**	**₱16,728,039**	**₱1,459,596,623**

2017

	Within 30 Days	Within 1 Year	Above 1 Year	Total
Cash and cash equivalents	₱238,194,857	₱–	₱–	₱238,194,857
Receivables:				
Trade	95,647,947	28,382,162	–	124,030,109
Receivable from real estate contractors	–	–	21,336,008	21,336,008
Planters' receivables	–	5,678,150	–	5,678,150
Due from related parties	–	523,195,962	–	523,195,962
Advances	–	73,467,138	–	73,467,138
Others	–	24,217,567	–	24,217,567
AFS financial assets:				
Proprietary	171,800,000	–	–	171,800,000
Listed	527,748	–	–	527,748
Unlisted	162,000	–	–	162,000
	₱506,332,552	₱654,940,979	₱21,336,008	₱1,182,609,539

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 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:

	2018	2017
Cash and cash equivalents	**₱355,179,298**	₱238,194,857
Receivables:		
Trade	**54,026,039**	123,876,626
Receivables from real estate contractors	**13,953,985**	17,512,237
Planters' receivables	**6,615,154**	5,678,150
Due from related parties	**763,126,424**	523,195,962
Advances	**76,921,907**	68,340,616
Others	**6,657,474**	24,217,567
AFS Financial Assets:		
Proprietary	**173,400,000**	171,800,000
Listed	**387,540**	527,748
Unlisted	**162,000**	162,000
Total credit risk exposure	**₱1,450,429,821**	₱1,173,505,763

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

The analysis of receivables is as follows:

2018

	Total	**Neither Past Due nor Impaired**	**Past Due but not Impaired 30 Days**	**90 Days**	**More than 150 Days**	**Impaired**
Trade	**₱54,179,522**	**₱54,026,039**	**₱–**	**₱–**	**₱–**	**₱153,483**
Receivables from real estate contractor	**16,728,039**	–	–	–	**13,953,985**	**2,774,054**
Planters' receivables	**6,615,154**	–	**6,615,154**	–	–	–
Due from related parties	**763,126,424**	**183,840,331**	**16,135,814**	–	**563,150,279**	–
Advances	**83,161,172**	**5,505,274**	**5,505,274**	–	**65,911,359**	**6,239,265**
Others	**6,657,474**	**6,657,474**	–	–	–	–
	₱930,467,785	**₱250,029,118**	**₱28,256,242**	**₱–**	**₱643,015,623**	**₱9,166,802**

2017

	Total	Neither Past Due nor Impaired	Past Due but not Impaired 30 Days	90 Days	More than 150 Days	Impaired
Trade	₱124,030,109	₱123,876,626	₱–	₱–	₱–	₱153,483
Receivables from real estate contractor	21,336,008	687,981	–	22,804	16,801,452	3,823,771
Planters' receivables	5,678,150	–	5,678,150	–	–	–
Due from related parties	523,195,962	–	–	–	523,195,962	–
Advances	73,467,138	7,098,821	–	–	61,241,795	5,126,522
Others	24,217,567	23,051,175	–	–	1,166,392	–
	₱771,924,934	₱154,714,603	₱5,678,150	₱22,804	₱602,405,601	₱9,103,776

The credit analyses of the Group's financial assets that are neither past due nor impaired are as follows:

2018

	Grade High	**Standard**	**Total**
Loans and receivables:			
Cash and cash equivalents	**₱355,179,298**	**₱–**	**₱355,179,298**
Trade receivables	**54,026,039**	–	**54,026,039**
Receivables from real estate contractor	–	–	–
Advances	**5,505,274**	–	**5,505,274**
Others	**6,657,474**	–	**6,657,474**
AFS financial assets:			
Proprietary	**173,400,000**	–	**173,400,000**
Listed	**387,540**	–	**387,540**
Unlisted	–	**162,000**	**162,000**
	₱595,155,625	**₱162,000**	**₱595,317,625**

2017

	Grade High	Standard	Total
Loans and receivables:			
Cash and cash equivalents	₱238,194,857	₱–	₱238,194,857
Trade receivables	123,876,626	–	123,876,626
Receivables from real estate contractor	687,981	–	687,981
Advances	7,098,821	–	7,098,821
Others	23,051,175	–	23,051,175
AFS financial assets:			
Proprietary	171,800,000	–	171,800,000
Listed	527,748	–	527,748
Unlisted	–	162,000	162,000
	₱565,237,208	₱162,000	₱565,399,208

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

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

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

Interest Rate Risk
Interest rate risk arises from the possibility that the changes in interest rates will affect the fair value of financial instruments. Interest on financial instruments is fixed until the maturity of the instrument. The Group's financial instruments with fixed interest rate exposes the Group to fair value interest rate risk. The changes in market interest rate will not have an impact on the Group's consolidated statements of income.

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

	2018	2017
Notes payable	**₱945,380,104**	₱2,815,426,716
Trade and other payables	**551,040,675**	486,793,188
Income tax payable	**29,353,478**	–
Deposits	**9,204,881**	6,951,707
Other liabilities	**18,440,292**	29,413
Total debt (a)	**1,553,419,430**	3,309,201,024
Equity	**3,840,307,771**	3,076,263,761
Total debt and equity (b)	**₱5,393,727,201**	₱6,385,464,785
Gearing ratio (a/b)	**0.29**	0.52

32. Note to Statement of Cash Flows

Changes in liabilities arising from financing activities are as follows:

	July 1, 2017	Reclassifications	Cash flows	Amortization and write off of deferred financing costs	Interest expense	June 30, 2018
Current interest-bearing loans and borrowings	₱787,340,043	(₱14,420,921)	₱171,666,667	₱–	₱794,316	₱945,380,105
Non-current interest-bearing loans and borrowings	2,028,086,673	14,420,921	(2,058,000,000)	15,492,406	–	–
Interest on loans and borrowings	5,940,732	–	(114,252,942)	–	117,946,767	9,634,557
Other noncurrent liabilities	–	–	17,011,402	–	1,382,105	18,393,507
Total liabilities from financing activities	₱2,821,367,448	₱–	(₱1,983,574,873)	₱15,492,406	₱120,123,188	₱973,408,169

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

**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES**

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

We have audited in accordance with Philippine Standards on Auditing, the accompanying consolidated financial statements of Central Azucarera de Tarlac and Subsidiary as at and for the years ended June 30, 2018 and 2017 and have issued our report thereon dated October 2, 2018. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, fairly states, in all material respects, the information required to be set forth therein in relation to the consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Maria Veronica Andresa R. Pore

Maria Veronica Andresa R. Pore
Partner
CPA Certificate No. 90349
SEC Accreditation No. 0662-AR-3 (Group A),
March 2, 2017, valid until March 1, 2020
Tax Identification No. 164-533-282
BIR Accreditation No. 08-001998-71-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 6621311, January 9, 2018, Makati City

October 2, 2018

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

SUPPLEMENTARY SCHEDULES

CENTRAL AZUCARERA DE TARLAC AND SUBSIDIARY
SCHEDULE A - RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
AS AT JUNE 30, 2018

Unappropriated Retained Earnings as at July 1, 2017		₱280,932,349
Deferred income tax asset		(26,087,502)
Unappropriated Retained earnings as at July 1, 2017, *as adjusted to available for dividend declaration*		254,844,847
Add: Net income actually earned/realized during the period		
Net income during the year closed to retained earnings	583,622,013	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	–	
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	–	
Unrealized actuarial gain	–	
Fair value adjustment (mark-to-market gain)	–	
Fair value adjustment of investment property resulting to gain	33,029,220	
Adjustment due to deviation from PFRS/GAAP - gain	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transaction accounted for under PFRS	–	
Subtotal	33,029,220	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	–	
Adjustment due to deviation from PFRS/GAAP - loss	–	
Loss on fair value adjustment on investment property (after tax)	–	
Subtotal	–	
Net income actually earned during the period		550,592,793
Add (Less):		
Dividend declarations during the year	(50,856,977)	
Appropriation of retained earnings during the period	(2,300,000,000)	
Reversal of appropriations	200,000,000	
Reversal of revaluation increment to retained earnings	1,181,600,009	
Effect of prior period adjustments	–	
Treasury shares	(7,200)	
Subtotal		(969,249,768)
Retained earnings as at June 30, 2018 available for dividends		(₱163,812,128)

CENTRAL AZUCARERA DE TARLAC AND SUBSIDIARY
SCHEDULE B - LIST OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS
AS AT JUNE 30, 2018

List of Philippine Financial Reporting Standards (PFRSs) and Philippine Interpretations Committee (PIC) Q&As effective as at June 30, 2018:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at June 30, 2018		**Adopted**	**Not Adopted**	**Not Applicable**
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions*	Not Early Adopted		
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9 with PFRS 4*	Not Early Adopted		
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓

**Standards and interpretations which will become effective subsequent to June 30, 2018.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at June 30, 2018		Adopted	Not Adopted	Not Applicable
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Transfers of Financial Assets			✓
	Amendments to PFRS 7: Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Servicing Contracts			✓
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments*	Not Early Adopted		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures*	Not Early Adopted		
	Prepayment Features with Negative Compensation	Not Early Adopted		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10: Investment Entities - Applying the Consolidation Exception			✓
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Not Early Adopted		
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 12: Investment Entities - Applying the Consolidation Exception			✓
	Amendments to PFRS 12: Clarification of the Scope of the Standard			✓

**Standards and interpretations which will become effective subsequent to June 30, 2018.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at June 30, 2018		Adopted	Not Adopted	Not Applicable
PFRS 13	Fair Value Measurement	✓		
	Amendments to PFRS 13: Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers*		Not Early Adopted	
	Amendments to PFRS 15: Clarifications to PFRS 15*		Not Early Adopted	
PFRS 16	Leases*		Not Early Adopted	
PFRS 17	Insurance Contracts		Not Early Adopted	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Statement of Cash Flows - Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
	Amendments to PAS 12: Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		

**Standards and interpretations which will become effective subsequent to June 30, 2018.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at June 30, 2018		Adopted	Not Adopted	Not Applicable
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans - Employee Contributions			✓
	Amendments to PAS 19: Regional Market Issue regarding Discount Rate			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel			✓
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28: Investment Entities - Applying the Consolidation Exception			✓
	Amendments to PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Not Early Adopted		
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value*	Not Early Adopted		
	Amendments to PAS 28: Long-term Interest in Associates or Joint Venture*	Not Early Adopted		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		

**Standards and interpretations which will become effective subsequent to June 30, 2018.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at June 30, 2018		Adopted	Not Adopted	Not Applicable
PAS 34	Interim Financial Reporting			✓
	Amendments to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
AS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 38: Revaluation Method – proportionate restatement of accumulated depreciation			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39: Financial Guarantee Contracts			✓
	Amendments to PAS 39: Reclassification of Financial Assets			✓
	Amendments to PAS 39: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendment to PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
	Amendments to PAS 40: Clarifying the interrelationship between PFRS 3 and PAS 40 when classifying property as an investment property or owner-occupied property			✓
	Amendments to PAS 40: Transfers of Investment Property*	Not Early Adopted		
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓

**Standards and interpretations which will become effective subsequent to June 30, 2018.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at June 30, 2018		Adopted	Not Adopted	Not Applicable
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 11	PFRS 2 - Group and Treasury Share Transactions	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration*	Not Early Adopted		
IFRIC 23	Uncertainty over Income Tax Treatments	Not Early Adopted		

**Standards and interpretations which will become effective subsequent to June 30, 2018.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at June 30, 2018		Adopted	Not Adopted	Not Applicable
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC 15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

**Standards and interpretations which will become effective subsequent to June 30, 2018.*

Note: Standards and interpretations tagged as "Not Applicable" are those standards and interpretations which were adopted but the entity has no significant covered transaction as at and for the year ended June 30, 2018.

CENTRAL AZUCARERA DE TARLAC
SUMMARY OF 17-C CURRENT REPORT

1	Appointment of STSI as Stock Transfer Agent
2	Schedule of Annual Stockholders Meeting
3	Amendment of Corporate Name
4	Results of the Board of Directors' Meeting
5	Results of the Annual Stockholders Meeting
6	Material Information on CAT-ALI transaction
7	Disposition of Assets
8	Declaration of Dividends

111162017003623

SECURITIES AND EXCHANGE COMMISSION

SECBuilding,EDSA,Greenhills,MandaluyongCity,MetroManila,Philippines
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Company Information

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

Document Information

Document ID	111162017003623
Document Type	17-C (FORM 11-C:CURRENT DISCL/RPT)
Document Code	17-C
Period Covered	November 10, 2017
No. of Days Late	0
Department	CFD
Remarks	

COVER SHEET

7 2 7

CENTRAL AZUCARERA DE TARLAC

(Company's Full Name)

SAN MIGUEL TARLAC CITY

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

ADDISON B. CASTRO	892-0301 Fax No. 818-2220
Contact Person	Company Telephone Number

Month Day
Fiscal Year

17 - C
FORM TYPE

Month Day
Annual Meeting

Secondary License,If Applicable

Dept. Requiring this Doc.

Amended Articles Number/section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

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

1. **10 November 2017**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number **727**

3. BIR Tax Identification No. **000-229-931**

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

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

6. (SEC Use Only)
   Industry Classification Code

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

8. **(632) 8186270**
   Issuer's telephone number, including area code

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

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

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

11. Indicate the item numbers reported herein:

Item 9. Other items

The Board of Directors of Central Azucarera de Tarlac ("CAT") during its meeting held on 07 November 2017, approved the following:

> The Annual Stockholders' Meeting shall be heldon 30January 2018 at 11:00 AM at the Luisita Golf and Country Club, San Miguel, Tarlac City, as provided for by the Company's By-Laws.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, this report is signed on behalf of the issuer by the undersigned hereunto duly authorized.

10 November 2017.

CENTRAL AZUCARERA DE TARLAC
Issuer

By:

ADDISON B. CASTRO
Assistant Corporate Secretary & Compliance Officer

112182017005792

SECURITIES AND EXCHANGE COMMISSION

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Company Information

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

Document Information

Document ID	112182017005792
Document Type	17-C (FORM 11-C:CURRENT DISCL/RPT)
Document Code	17-C
Period Covered	December 18, 2017
No. of Days Late	0
Department	CFD
Remarks	

COVER SHEET

7 2 7

CENTRAL AZUCARERA DE TARLAC

(Company's Full Name)

SAN MIGUEL TARLAC CITY

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

ADDISON B. CASTRO
Contact Person

892-0301 Fax No. 818-2220
Company Telephone Number

Month *Day*
Fiscal Year

17 - C
FORM TYPE

Month *Day*
Annual Meeting

Secondary License,If Applicable

Dept. Requiring this Doc.

Amended Articles Number/section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

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

1. **18 December 2017**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number **727**

3. BIR Tax Identification No. **000-229-931**

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

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

6. (SEC Use Only)
   Industry Classification Code

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

8. **(632)** 8186270
   Issuer's telephone number, including area code

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

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

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

11. Indicate the item numbers reported herein:

Item 9. Other items – Amendment of Article I of the Articles of Incorporation

The Board of Directors of Central Azucarera de Tarlac ("CAT") during its meeting held on 13December 2017, approved the following resolutions:

> "RESOLVED,that the name of the Corporation be amended –
> FROM:"Central Azucarera de Tarlac"
> TO: "Central Azucarera de Tarlac, Inc."
>
> "RESOLVED, FURTHER, that Article I of the Corporation's Amended Articles of Incorporation be amended to read as follows:
>
> "I
>
> That the name and title of said corporation shall be "CENTRAL AZUCARERA DE TARLAC, INC."
>
> "RESOLVED, FINALLY, this resolution of the Board of Directors be submitted for approval of the Shareholders owning at least 2/3 of the outstanding shares of the Corporation at the next Annual Meeting of Shareholders."

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, this report is signed on behalf of the issuer by the undersigned hereunto duly authorized.

18 December 2017.

CENTRAL AZUCARERA DE TARLAC
Issuer

By:

ADDISON B. CASTRO
Assistant Corporate Secretary &
Compliance Officer

102052018002012

SECURITIES AND EXCHANGE COMMISSION

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Company Information

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

Document Information

Document ID	102052018002012
Document Type	17-C (FORM 11-C:CURRENT DISCL/RPT)
Document Code	17-C
Period Covered	February 02, 2018
No. of Days Late	0
Department	CFD
Remarks	

COVER SHEET

727

CENTRAL AZUCARERA DE TARLAC

(Company's Full Name)

SAN MIGUEL TARLAC CITY

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

ADDISON B. CASTRO

Contact Person

892-0301 Fax No. 818-2220

Company Telephone Number

Month *Day*

Fiscal Year

17 - C

FORM TYPE

Month *Day*

Annual Meeting

Secondary License,If Applicable

Dept. Requiring this Doc.

Amended Articles Number/section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

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

1. **02 February 2018**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number **727**

3. BIR Tax Identification No. **000-229-931**

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

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

6. (SEC Use Only)
   Industry Classification Code

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

8. **(632) 8186270**
   Issuer's telephone number, including area code

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

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

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

11. Indicate the item numbers reported herein:

Results of the Organizational Board Meeting Held on 30 January 2018

The results of the organizational board meeting of the board of directors which was immediately held after the annual stockholders' meeting on 30 January 2018 are:

A. The following were elected / appointed officers of CAT:

Name	Position
MARTIN IGNACIO P. LORENZO	Chairman of the Board and CEO
FERNANDO C. COJUANGCO	President and COO
CECILE D. MACAALAY	Treasurer
WELLERITA D. AGUAS	VP For Finance
JANETTE L. PEÑA	Corporate Secretary
ADDISON B. CASTRO	Assistant Corporate Secretary and Compliance Officer

B. The following were appointed to constitute the Board's Audit Committee, Corporate Governance Committee and Executive Committee:

AUDIT COMMITTEE

BENJAMIN I. ESPIRITU	Chairman
VIGOR D. MENDOZA II	Member
FERNAN VICTOR P. LUKBAN	Member

CORPORATE GOVERNANCE COMMITTEE

RENATO B. PADILLA	Chairman
BENJAMIN I. ESPIRITU	Member
FERNAN VICTOR P. LUKBAN	Member

EXECUTIVE COMMITTEE

MARTIN IGNACIO P. LORENZO	Chairman
FERNANDO C. COJUANGCO	Member
FERNAN VICTOR P. LUKBAN	Member

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, this report is signed on behalf of the issuer by the undersigned hereunto duly authorized.

02 February 2018.

CENTRAL AZUCARERA DE TARLAC
Issuer

By:

ADDISON B. CASTRO
Assistant Corporate Secretary &
Compliance Officer

102062018001678

SECURITIES AND EXCHANGE COMMISSION

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Company Information

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

Document Information

Document ID	102062018001678
Document Type	17-C (FORM 11-C:CURRENT DISCL/RPT)
Document Code	17-C
Period Covered	February 02, 2018
No. of Days Late	0
Department	CFD
Remarks	

COVER SHEET

7 2 7

CENTRAL AZUCARERA DE TARLAC

(Company's Full Name)

SAN MIGUEL TARLAC CITY

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

ADDISON B. CASTRO
Contact Person

892-0301 Fax No. 818-2220
Company Telephone Number

Month *Day*
Fiscal Year

17 - C
FORM TYPE

Month *Day*
Annual Meeting

Secondary License,If Applicable

Dept. Requiring this Doc.

Amended Articles Number/section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

Securities and Exchange Commission
SRC Rule 68, as amended
Annex 68.1 M, Schedules

Schedule A. Marketable Securities - (Current Marketable Equity Securities and Other Short-Term Cash Investments)

Name of Issuing entity and association of each issue (1)	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet (2)	Valued based on market quotation at balance sheet date (3)	Income received and accrued
NONE TO REPORT				
TOTAL	Php	-	0	

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

Name and Designation of Debtor	Balance, July 1, 2016	Additions	Amounts Collected	Amounts Written off	Current	Not Current	Balance at, June 30, 2017
Advances to officers and employees - cash advance for business expenses	7,688,385.00	52,579,936.42	(42,368,114)				17,900,207.00
	7,688,385.00	52,579,936.42	(42,368,114.42)	-	-	-	17,900,207.00

Securities and Exchange Commission
SRC Rule 68, as amended
Annex 68.1 M, Schedules

Schedule C. Non-Current Marketable Equity Securities, Other Long-Term Investments in Stock, and Other Investments

Name of Issuing entity and description of Investment	Beginning Balance		Additions		Ending Balance	
	Number of shares or principal amount of bonds and notes	Amount in Pesos	Equity in earnings (losses) of investees for the period	Other	Number of shares or principal amounts of bonds and notes	Amount in Pesos
Proprietary shares						
Luisita Golf and Country Club, Inc.	556	166,800,000			556	166,800,000
Alabang Golf & Country Club	1	5,000,000	1,600,000		1	6,600,000
Investment in shares of stock						-
Philippine Long Distance Corporation	3,426	527,748	(140,208)		3,426	387,540
CAT Realty Corporation	35,000	147,000	0		35,000	147,000
Economic Development Foundation, In	1	15,000			1	15,000
		172,489,748	1,459,792	-		173,949,540

Securities and Exchange Commission
SRC Rule 68, as amended
Annex 68.1 M, Schedules

Schedule D. Indebtedness of Unconsolidated Subsidiaries and Related Parties

Name of Related parties (1)	Balance at beginning of period	Balance at end of period
North Star Estate Holdings	75,458,098	75,458,098
CAT Resource and Asset Holdings, Inc.	167,324,400	250,816,052
Luisita Trust Fund	272,725,079	298,712,561
Luisita Golf & Country Club, Inc.	13,006,959	22,700,993
Tarlac Distillery Corporation	-	43,315,333
Green Future Innovation, Inc.	-	76,924,173
TOTAL	528,514,536	767,927,210

Securities and Exchange Commission
SRC Rule 68, as amended
Annex 68.1 M, Schedules

Schedule E. Intangible Assets - Other Assets

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
Goodwill	702,146,249			199,727,679		502,418,570

Securities and Exchange Commission
SRC Rule 68, as amended
Annex 68.1 M, Schedules

Schedule F. Long Term Debt

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet
Notes Payable - Banks		NONE TO REPORT	
Total		-	-

Securities and Exchange Commission
SRC Rule 68, as amended
Annex 68.1 M, Schedules

Schedule G. Indebtedness to Related Parties

Name of related party	Balance at beginning of period	Balance at end of period
First Lucky Holdings Corporation	13,025,174	13,025,174
Total	**13,025,174**	**13,025,174**

Securities and Exchange Commission
SRC Rule 68, as amended
Annex 68.1 M, Schedules

Schedule H. Guarantees of Securities of Other Issuers (1)

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
NONE TO REPORT				

Securities and Exchange Commission
SRC Rule 68, as amended
Annex 68.1 M, Schedules

Schedule I. Capital Stock (1)

Title of Issue	Number of Shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common Shares	400,000,000	282,545,960		102,876,250	Martin Ignacio P. Lorenzo	
				98,841,890	Fernando C. Cojuangco	
TOTAL	400,000,000	282,545,960		201,718,140		

CR03820-2018

SECURITIES AND EXCHANGE COMMISSION

SEC FORM - I-ACGR

INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT

1. For the fiscal year ended
   Dec 31, 2017
2. SEC Identification Number
   727
3. BIR Tax Identification Number
   000-229-931
4. Exact name of issuer as specified in its charter
   CENTRAL AZUCARERA DE TARLAC
5. Province, country or other jurisdiction of incorporation
   Manila, Philippines
6. Industry Classification Code(SEC Use Only)

7. Address of principal office
   San Miguel, Tarlac City
   Postal Code
   2301
8. Issuer's telephone number, including area code
   (632) 8186270
9. Former name, former address, and former fiscal year, if changed since last report
   N/A

Central Azucarera de Tarlac, Inc.
CAT

PSE Disclosure Form I-ACGR - Integrated Annual Corporate Governance Report
Reference: SEC Code of Corporate Governance for Publicly-Listed Companies, PSE Corporate Governance Guidelines, and ASEAN Corporate Governance Scorecard

Description of the Disclosure
Integrated Annual Corporate Governance Report for calendar year ended 31 December 2017

Filed on behalf by:

Name	Addison Castro
Designation	Assistant Corporate Secretary

SEC FORM – I-ACGR

INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT

GENERAL INSTRUCTIONS

A. Use of Form I-ACGR

This SEC Form shall be used as a tool to disclose Publicly-Listed Companies' compliance/non-compliance with the recommendations provided under the Code of Corporate Governance for Publicly-Listed Companies, which follows the "comply or explain" approach, and for harmonizing the corporate governance reportorial requirements of the SEC and the Philippine Stock Exchange (PSE).

B. Preparation of Report

These general instructions are not to be filed with the report. The report shall contain the numbers and captions of all items.

The I-ACGR has four columns, arranged as follows:

RECOMMENDED CG PRACTICE/POLICY	COMPLIANT/ NON-COMPLIANT	ADDITIONAL INFORMATION	EXPLANATION
Contains CG Practices/ Policies, labelled as follows: (1) **"Recommendations" –** derived from the CG Code for PLCs; (2) **"Supplement to Recommendation" –** derived from the PSE CG Guidelines for Listed Companies; (3) **"Additional Recommendations"** – CG Practices not found in the CG Code for PLCs and PSE CG Guidelines but are	The company shall **indicate compliance or non-compliance** with the recommended practice.	The company shall provide additional information to **support their compliance** with the recommended CG practice	The PLCs shall **provide the explanations for any non-compliance,** pursuant to the "comply or explain" approach. Please note that the explanation given should describe the non-compliance and include **how the overall Principle being recommended is**

expected already of PLCs; and (4) **"Optional Recommendation"** – practices taken from the ASEAN Corporate Governance Scorecard ***Items under (1) – (3) must be answered/disclosed by the PLCs following the "comply or explain" approach. Answering of items under (4) are left to the discretion of PLCs.**			**still being achieved** by the company. ***"Not Applicable" or "None" shall not be considered as sufficient explanation**

C. Signature and Filing of the Report

a. Three (3) copies of a fully accomplished I-ACGR shall be filed with the Main Office of the Commission **on or before May 30 of the following year for every year that the company remains listed in the PSE;**

b. At least one (1) complete copy of the I-ACGR shall be duly notarized and shall bear **original and manual** signatures

c. The I-ACGR shall be signed under oath by: (1) Chairman of the Board; (2) Chief Executive Officer or President; (3) All Independent Directors; (4) Compliance Officer; and (5) Corporate Secretary.

d. The I-ACGR shall cover all relevant information from January to December of the given year.

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

SEC FORM – I-ACGR

INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT

1. For the calendar[1] year ended **2017**

2. SEC Identification Number **727**

3. BIR Tax Identification No. **000-229-931**

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

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

6. (SEC Use Only)
   Industry Classification Code

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

   2301
   Postal Code

8. **(632) 8186270**
   Issuer's telephone number, including area code

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

[1] In accordance with SEC Memorandum Circular No. 17, Series of 2017, the I-ACGR shall cover relevant information from January to December of the given year.

INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT			
	COMPLIANT/ NON-COMPLIANT	**ADDITIONAL INFORMATION**	**EXPLANATION**
The Board's Governance Responsibilities			
Principle 1: The company should be headed by a competent, working board to foster the long- term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the long- term best interests of its shareholders and other stakeholders.			
Recommendation 1.1			
1. Board is composed of directors with collective working knowledge, experience or expertise that is relevant to the company's industry/sector.	Compliant	The information on each of the members of the Company's Board of Directors, such as their respective academic qualifications, industry knowledge and relevant professional experience and expertise are reflected in their respective profiles in the Company website. http://luisitasugar.com/about-us/our-company/board-of-directors-management-team-and-executive-directors/ The above information are also provided in the Company's Information Statement distributed to the stockholders as a required report for the Annual Stockholders' Meeting. http://luisitasugar.com/disclosures/sec-filings/	
2. Board has an appropriate mix of competence and expertise.	Compliant		
3. Directors remain qualified for their positions individually and collectively to enable them to fulfill their roles and responsibilities and respond to the needs of the organization.	Compliant		
Recommendation 1.2			

1. Board is composed of a majority of non-executive directors.	Compliant	The Company has a total of seven (7) directors; five (5) of the directors are non-executive directors. http://luisitasugar.com/about-us/our-company/board-of-directors-management-team-and-executive-directors/	
Recommendation 1.3			
1. Company provides in its Board Charter and Manual on Corporate Governance a policy on training of directors.	Compliant	The Company is guided by its Manual on Corporate Governance and Board Charter on policies relative to the continuing education and/or training of its Board. The Company's Manual on Corporate Governance may be accessed through the following link http://luisitasugar.com/corporate-governance/manual-on-corporate-governance/ The Company's Board Charter may be accessed through the following link http://luisitasugar.com/corporate-governance/board-committees/	
2. Company has an orientation program for first time directors.	Compliant	The orientation program for first time directors is provided in the Company's Manual on Corporate Governance and the Board. However, there is no first	

3. Company has relevant annual continuing training for all directors.	Compliant	time director for period covered by this report. The Company's Manual on Corporate Governance may be accessed through the following link http://luisitasugar.com/corporate-governance/manual-on-corporate-governance/	
Recommendation 1.4			
1. Board has a policy on board diversity.	Compliant	The Company's policy on board diversity is included in the Company's Board Charter, which may be accessed using the following link http://luisitasugar.com/corporate-governance/board-committees/board-charter/ At present, the Board is composed of all male directors.	
Optional: Recommendation 1.4			
1. Company has a policy on and discloses measurable objectives for implementing its board diversity and reports on progress in achieving its objectives.			
Recommendation 1.5			
1. Board is assisted by a Corporate Secretary.	Compliant	Information on the Company's Corporate Secretary may be accessed in the	
2. Corporate Secretary is a separate individual from the Compliance Officer.	Compliant		

3. Corporate Secretary is not a member of the Board of Directors.	Compliant	Company's website through the following link http://luisitasugar.com/about-us/our-company/board-of-directors-management-team-and-executive-directors/ The duties and functions of the Company's Corporate Secretary are provided in the Company's Manual on Corporate Governance and may be accessed in the Company's website through the following link http://luisitasugar.com/corporate-governance/manual-on-corporate-governance/	
4. Corporate Secretary attends training/s on corporate governance.	Compliant	The Company's Corporate Secretary, Atty. Janette L. Peña, attended the Corporate Governance Seminar conducted by Risk Opportunities Assessment and Management, (ROAM) INC. on November 29, 2017.	
Optional: Recommendation 1.5			
1. Corporate Secretary distributes materials for board meetings at least five business days before scheduled meeting.			
Recommendation 1.6			
1. Board is assisted by a Compliance Officer.	Compliant	Information on the Company's Compliance Officer may be accessed in	
2. Compliance Officer has a rank of Senior Vice President or an equivalent position with			

adequate stature and authority in the corporation.		the Company's website through the following link http://luisitasugar.com/about-us/our-company/board-of-directors-management-team-and-executive-directors/ The duties and functions of the Company's Compliance Officer are provided in the Company's Manual on Corporate Governance and may be accessed in the Company's website through the following link http://luisitasugar.com/corporate-governance/manual-on-corporate-governance/	
3. Compliance Officer is not a member of the board.	Compliant		
4. Compliance Officer attends training/s on corporate governance.	Compliant	The Company's Compliance Officer, Atty. Addison B. Castro, attended the 4th SEC-PSE Corporate Governance Forum held on November 22, 2017.	
Principle 2: The fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the company's articles and by-laws, and other legal pronouncements and guidelines should be clearly made known to all directors as well as to stockholders and other stakeholders.			
Recommendation 2.1			
1. Directors act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company.	Compliant	The Company's board of directors have faithfully and diligently performed their respective duties and responsibilities as shown in their attendance to the meetings of the board.	

		http://luisitasugar.com/disclosures/sec-filings/	
Recommendation 2.2			
1. Board oversees the development, review and approval of the company's business objectives and strategy.	Compliant	The Company's Manual on Corporate Governance and the Board Charter provides for the duties and responsibilities of the Board, which includes the following: *"The Board shall oversee the development of and approve the company's business objectives and strategy, and monitor their implementation, in order to sustain the company's long-term viability and strength. The Board shall review and guide corporate strategy, major plans of action, risk management policies and procedures, annual budgets and business plans; set performance objectives; monitor implementation and corporate performance; and oversee major capital expenditures, acquisitions and divestitures."* The Company's Manual on Corporate Governance may be accessed through the following link http://luisitasugar.com/corporate-governance/manual-on-corporate-governance/	
2. Board oversees and monitors the implementation of the company's business objectives and strategy.	Compliant		

		The Company's Board Charter may be accessed through the following link http://luisitasugar.com/corporate-governance/board-committees/ The Board regularly holds its meeting to be able to make sound business judgment on variety of corporate matters, including review of business objectives and strategy. Attendance of the Board may be accessed in the Company's website through the following link http://luisitasugar.com/disclosures/sec-filings/	
Supplement to Recommendation 2.2			
1. Board has a clearly defined and updated vision, mission and core values.	Compliant	The Company's vision, mission and core values are found in the Company's website and may be accessed through the following link http://luisitasugar.com/about-us/our-company/our-mission/ The Board reviews the vision, mission and core values annually.	
2. Board has a strategy execution process that facilitates effective management performance and is attuned to the company's business environment, and culture.			

Recommendation 2.3			
1. Board is headed by a competent and qualified Chairperson.	Compliant	Information on the Company's Chairperson may be accessed in the Company's website through the following link http://luisitasugar.com/about-us/our-company/board-of-directors-management-team-and-executive-directors/ The duties and functions of the Company's Chairperson are provided in the Company's Manual on Corporate Governance and Board Charter. These may be accessed in the Company's website through the following link http://luisitasugar.com/corporate-governance/manual-on-corporate-governance/ http://luisitasugar.com/corporate-governance/manual-on-corporate-governance/	
Recommendation 2.4			
1. Board ensures and adopts an effective succession planning program for directors, key officers and management.	Compliant	The Manual on Corporate Governance and the Board Charter provides for the duties and responsibilities of the Board, which includes the following:	

2. Board adopts a policy on the retirement for directors and key officers.	Compliant	*"The Board shall adopt an effective succession planning program for directors, key officers and management to ensure growth and a continued increase in the shareholders' value. This shall include a policy on the retirement age for directors and key officers as part of management succession and to promote dynamism in the Company."* The Company's Manual on Corporate Governance may be accessed through the following link http://luisitasugar.com/corporate-governance/manual-on-corporate-governance/ The Company's Board Charter may be accessed through the following link http://luisitasugar.com/corporate-governance/board-committees/ Further, the Corporate Governance Committee has undertaken the role and responsibility of the Nomination and Remuneration Committee. The Charter of the Corporate Governance Committee provides that one of its functions is to "*recommend succession plan for the board members and senior officers.*"	

		The Company's Corporate Governance Committee Charter may be accessed through the following link http://luisitasugar.com/corporate-governance/board-committees/	
Recommendation 2.5			
1. Board aligns the remuneration of key officers and board members with long-term interests of the company.	Compliant	The Manual on Corporate Governance and the Board Charter provides for the duties and responsibilities of the Board, which includes the following: *"The Board shall align the remuneration of key officers and board members with the long-term interests of the company. In doing so, it shall formulate and adopt a policy specifying the relationship between remuneration and performance. Further, no director shall participate in discussions or deliberations involving his own remuneration."* The Company's Manual on Corporate Governance may be accessed through the following link http://luisitasugar.com/corporate-governance/manual-on-corporate-governance/ The Company's Board Charter may be accessed through the following link	
2. Board adopts a policy specifying the relationship between remuneration and performance.	Compliant		
3. Directors do not participate in discussions or deliberations involving his/her own remuneration.	Compliant		

		http://luisitasugar.com/corporate-governance/board-committees/ Further, the Corporate Governance Committee has undertaken the role and responsibility of the Nomination and Remuneration Committee. The Charter of the Corporate Governance Committee provides that one of its functions is to "*recommend remuneration packages for corporate and individual performance*" and to "*establish a formal and transparent procedure to develop a policy for determining the remuneration of directors and officers that is consistent with the corporation's culture and strategy as well as the business environment in which it operates"* The Company's Corporate Governance Committee Charter may be accessed through the following link http://luisitasugar.com/corporate-governance/board-committees/	
Optional: Recommendation 2.5			
1. Board approves the remuneration of senior executives.			
2. Company has measurable standards to align the performance-based remuneration of the executive directors and senior executives with long-term interest, such as claw back provision and deferred bonuses.			
Recommendation 2.6			

1. Board has a formal and transparent board nomination and election policy.	Compliant	The Manual on Corporate Governance provides for the nomination and election policy in consonance with the Company's Amended By-Laws. Further, the qualification and disqualifications are also indicated therein, to wit: *"All nominations for the election of Directors by the stockholders shall be submitted in writing to the Corporate Governance Committee at least thirty (30) business days before the scheduled date of the Annual Stockholders' Meeting. The stockholders who are entitled to vote may vote such number of shares for as many persons as there are Directors to be elected, multiplied by the number of shares, or under the same principle the stockholder may distribute his votes among as many candidates as he believes convenient so long as the number of votes cast by him shall not be more than the number of shares owned by him multiplied by the number of Directors to be elected.* *The Corporate Governance Committee shall ensure that the nominees possess the necessary qualifications and none of the disqualifications provided for by existing laws, rules & regulations, Company's By-Laws and this Manual. The qualifications and disqualifications shall be continuously monitored.*	
2. Board nomination and election policy is disclosed in the company's Manual on Corporate Governance.	Compliant		
3. Board nomination and election policy includes how the company accepted nominations from minority shareholders.	Compliant		
4. Board nomination and election policy includes how the board shortlists candidates.	Compliant		
5. Board nomination and election policy includes an assessment of the effectiveness of the Board's processes in the nomination, election or replacement of a director.	Compliant		
6. Board has a process for identifying the quality of directors that is aligned with the strategic direction of the company.	Compliant		

		The election of the Directors shall be done by ballots, or by viva voce, if requested by a stockholder. *The Company may engaged the services of professional search firms or external sources when searching for candidates to the Board."* The above provisions are also echoed in the Company's Board Charter, which provides that *"All nominations for the election of Directors by the stockholders shall be submitted in writing to the Corporate Governance Committee at least thirty (30) business days before the scheduled date of the Annual Stockholders' Meeting* *The Corporate Governance Committee shall ensure that the nominees possess the necessary qualifications and none of the disqualifications provided for by existing laws, rules & regulations, Company's By-Laws and the Manual on Corporate Governance. The qualifications and disqualifications shall be continuously monitored by the Corporate Governance Committee* *The Corporate Governance Committee shall ensure that the nominees possess the necessary qualifications and none of the disqualifications provided for by existing laws, rules & regulations,*	

		Company's By-Laws and the Manual on Corporate Governance. The qualifications and disqualifications shall be continuously monitored." Likewise, the Company's Corporate Governance Committee Charter provides that *"the nomination and election process for the company's directors and has the special duty of defining the general profile of board members that the company may need and ensuring appropriate knowledge, competencies and expertise that complement the existing skills of the Board."* The Company's Amended By-Laws may be accessed through the following link http://luisitasugar.com/about-us/our-company/ The Company's Manual on Corporate Governance may be accessed through the following link http://luisitasugar.com/corporate-governance/manual-on-corporate-governance/ The Company's Board Charter may be accessed through the following link http://luisitasugar.com/corporate-governance/board-committees/	

		The Company's Corporate Governance Committee Charter may be accessed through the following link http://luisitasugar.com/corporate-governance/board-committees/	
Optional: Recommendation to 2.6			
1. Company uses professional search firms or other external sources of candidates (such as director databases set up by director or shareholder bodies) when searching for candidates to the board of directors.			
Recommendation 2.7			
1. Board has overall responsibility in ensuring that there is a group-wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions.	Compliant	The Company's Manual on Corporate Governance and Board Charter provides that *"The Board shall have the overall responsibility in ensuring that there is a group-wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions, particularly those which pass certain thresholds of materiality. The policy shall include the appropriate review and approval of material or significant RPTs, which guarantee fairness and transparency of the transactions. The policy shall encompass all entities within the group, taking into account their size, structure, risk profile and complexity of operations."*	
2. RPT policy includes appropriate review and approval of material RPTs, which guarantee fairness and transparency of the transactions.	Compliant		
3. RPT policy encompasses all entities within the group, taking into account their size, structure, risk profile and complexity of operations.	Compliant		

		The Company's Manual on Corporate Governance may be accessed through the following link http://luisitasugar.com/corporate-governance/manual-on-corporate-governance/ The Company's Board Charter may be accessed through the following link http://luisitasugar.com/corporate-governance/board-committees/	
Supplement to Recommendations 2.7			
1. Board clearly defines the threshold for disclosure and approval of RPTs and categorizes such transactions according to those that are considered *de minimis* or transactions that need not be reported or announced, those that need to be disclosed, and those that need prior shareholder approval. The aggregate amount of RPTs within any twelve (12) month period should be considered for purposes of applying the thresholds for disclosure and approval.	Compliant	In the normal course of its business, the Company had transactions with related parties. Please see Note 27 (Related Party Transactions) of the Notes to Financial Statements as of June 30, 2017. The Company's Annual Report (SEC Form No. 17A) may be accessed through the following link http://luisitasugar.com/disclosures/sec-filings/	
2. Board establishes a voting system whereby a majority of non-related party shareholders approve specific types of related party transactions during shareholders' meetings.	Compliant	The Company, in its Information Statement included its Annual Report and the Audited Financial Statements for the Fiscal Year ending June 30, 2017 as one of the reports submitted for the approval of the Stockholders.	

		The Company's Information Statement (SEC Form No. 20-IS) may be accessed through the following link http://luisitasugar.com/disclosures/sec-filings/	
Recommendation 2.8			
1. Board is primarily responsible for approving the selection of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).	Compliant	The Company's Manual on Corporate Governance and Board Charter provides that *"The Board shall be primarily responsible for approving the selection and assessing the performance of the Management led by the Chief Executive Officer (CEO), and control functions led by their respective heads (Chief Risk Officer, Chief Compliance Officer, and Chief Audit Executive)."* The Company's Manual on Corporate Governance may be accessed through the following link http://luisitasugar.com/corporate-governance/manual-on-corporate-governance/ The Company's Board Charter may be accessed through the following link http://luisitasugar.com/corporate-governance/board-committees/	
2. Board is primarily responsible for assessing the performance of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).	Compliant		
Recommendation 2.9			

1. Board establishes an effective performance management framework that ensures that Management's performance is at par with the standards set by the Board and Senior Management.	Compliant	The Company's Manual on Corporate Governance and Board Charter provides that *"The Board shall establish an effective performance management framework that will ensure that the Management, including the Chief Executive Officer, and personnel's performance is at par with the standards set by the Board and Senior Management."* The Company's Manual on Corporate Governance may be accessed through the following link http://luisitasugar.com/corporate-governance/manual-on-corporate-governance/ The Company's Board Charter may be accessed through the following link http://luisitasugar.com/corporate-governance/board-committees/ The Company sets Key Performance Indicators (KPI) to ensure that Management's performance is at par with the standards set by the Board and Senior Management .	
2. Board establishes an effective performance management framework that ensures that personnel's performance is at par with the standards set by the Board and Senior Management.	Compliant		
Recommendation 2.10			
1. Board oversees that an appropriate internal control system is in place.	Compliant		

		The Company's Manual on Corporate Governance and Board Charter provides that *"The Board shall oversee that an appropriate internal control system is in place, including setting up a mechanism for monitoring and managing potential conflicts of interest of Management, board members, and shareholders. The Board shall also approve the Internal Audit Charter."* The Company's Manual on Corporate Governance may be accessed through the following link http://luisitasugar.com/corporate-governance/manual-on-corporate-governance/ The Company's Board Charter may be accessed through the following link http://luisitasugar.com/corporate-governance/board-committees/	
2. The internal control system includes a mechanism for monitoring and managing potential conflict of interest of the Management, members and shareholders.	Compliant		
3. Board approves the Internal Audit Charter.	Compliant		
Recommendation 2.11			
1. Board oversees that the company has in place a sound enterprise risk management (ERM) framework to effectively identify, monitor, assess and manage key business risks.	Compliant	The Company's Manual on Corporate Governance and Board Charter provides that *"The Board shall oversee that a sound enterprise risk management (ERM) framework is in place to effectively*	

2. The risk management framework guides the board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.	Compliant	*identify, monitor, assess and manage key business risks. The risk management framework shall guide the Board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies."* The Company's Manual on Corporate Governance may be accessed through the following link http://luisitasugar.com/corporate-governance/manual-on-corporate-governance/ The Company's Board Charter may be accessed through the following link http://luisitasugar.com/corporate-governance/board-committees/	
Recommendation 2.12			
1. Board has a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary role.	Compliant	The Company's Board Charter may be accessed through the following link http://luisitasugar.com/corporate-governance/board-committees/	
2. Board Charter serves as a guide to the directors in the performance of their functions.	Compliant		
3. Board Charter is publicly available and posted on the company's website.	Compliant		

Additional Recommendation to Principle 2			
1. Board has a clear insider trading policy.	Compliant	The Company's Insider Policy may be accessed through the following link http://luisitasugar.com/corporate-governance/company-policies/	
Optional: Principle 2			
1. Company has a policy on granting loans to directors, either forbidding the practice or ensuring that the transaction is conducted at arm's length basis and at market rates.			
2. Company discloses the types of decision requiring board of directors' approval.			
Principle 3: Board committees should be set up to the extent possible to support the effective performance of the Board's functions, particularly with respect to audit, risk management, related party transactions, and other key corporate governance concerns, such as nomination and remuneration. The composition, functions and responsibilities of all committees established should be contained in a publicly available Committee Charter.			
Recommendation 3.1			
1. Board establishes board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities.	Compliant	The Company's Manual on Corporate Governance provides that *"Board committees shall be set up to the extent possible to support the effective performance of the Board's functions, particularly with respect to audit, risk management, related party transactions, and other key corporate governance concerns, such as nomination and remuneration. The composition, functions and responsibilities of all committees established shall take into consideration the Company's size, risk*	

		profile, complexity of operations, among others. The respective charter of the committees shall be made publicly available. The Company's Manual on Corporate Governance may be accessed through the following link http://luisitasugar.com/corporate-governance/manual-on-corporate-governance/ The Company's Board Charter provides that *The Board of Directors shall have the power, among other things, to create Committees as may be necessary or beneficial in the operation and internal regulation of the Corporation and in compliance with the principles of good corporate governance. Such Committees shall have such powers and functions as may be delegated to them by the Board or as defined in the Securities Regulation Code, Revised Code of Corporate Governance and the Manual of Corporate Governance, except those that may not be delegated under the Corporation Code. The Board shall have the power to appoint and remove the members of such Committees and may at any time, with or without cause, dissolve any of such Committees."*	

		The Company's Board Charter may be accessed through the following link http://luisitasugar.com/corporate-governance/board-committees/	
Recommendation 3.2			
1. Board establishes an Audit Committee to enhance its oversight capability over the company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.	Compliant	The Company's Manual on Corporate Governance and Audit Committee Charter provides that *"The Board shall establish an Audit Committee to enhance the Board's oversight capability over the Company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.* *The Audit Committee shall be primarily responsible for overseeing the senior management in establishing and maintaining an adequate, effective and efficient internal control framework. The Audit Committee shall ensure that systems and processes are designed to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets. It has the following duties and responsibilities, among others:*	

		-Recommends the approval the Internal Audit Charter (IA Charter), which formally defines the role of Internal Audit and the audit plan as well as oversees the implementation of the IA Charter; *-Through the Internal Audit (IA) Department, monitors and evaluates the adequacy and effectiveness of the Company's internal control system, integrity of financial reporting, and security of physical and information assets. Well-designed internal control procedures and processes that will provide a system of checks and balances shall be in place in order to (a) safeguard the company's resources and ensure their effective utilization, (b) prevent occurrence of fraud and other irregularities, (c) protect the accuracy and reliability of the company's financial data, and (d) ensure compliance with applicable laws and regulations;* *-Oversees the Internal Audit Department, and recommends the appointment and/or grounds for approval of an internal audit head or Chief Audit Executive (CAE). The Audit Committee shall also approves the terms and conditions for outsourcing internal audit services;*	

		-Establishes and identifies the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. For this purpose, he shall directly report to the Audit Committee; *-Reviews and monitors Management's responsiveness to the Internal Auditor's findings and recommendations;* *-Prior to the commencement of the audit, discusses with the External Auditor the nature, scope and expenses of the audit, and ensures the proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;* *-Evaluates and determines the non-audit work, if any, of the External Auditor, and periodically reviews the non-audit fees paid to the External Auditor in relation to the total fees paid to him and to the Company's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an External Auditor or may pose a threat to his independence[7]. The non-audit work, if allowed, shall be disclosed in the Company's Annual Report and Annual Corporate Governance Report;*	

		-Reviews and approves the Interim and Annual Financial Statements before their submission to the Board, with particular focus on the following matters: Any change/s in accounting policies and practices, Areas where a significant amount of judgment has been exercised, Significant adjustments resulting from the audit, Going concern assumptions, Compliance with accounting standards, Compliance with tax, legal and regulatory requirements *-Reviews the disposition of the recommendations in the External Auditor's management letter;* *-Performs oversight functions over the Company's Internal and External Auditors. It ensures the independence of Internal and External Auditors, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;* *-Coordinates, monitors and facilitates compliance with laws, rules and regulations;* *-**Recommends to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the Commission, who undertakes an***	

		independent audit of the Company, and provides an objective assurance on the manner by which the financial statements shall be prepared and presented to the stockholders; *-Performs the functions of Board Risk Oversight Committee and/or Related Party Transactions Committee;* *-Meets with the Board at least every quarter without the presence of the CEO or other management team members, and periodically meets with the head of the internal audit; and* *-Such other duties and responsibilities assigned to the committee by the Board."* The Company's Audit Committee Charter may be accessed through the following link http://luisitasugar.com/corporate-governance/board-committees/	
2. Audit Committee is composed of at least three appropriately qualified non-executive directors, the majority of whom, including the Chairman is independent.	Compliant	The information on the members, including the Chairman, of the Audit Committee and their qualifications maybe accessed in the Company's website through the following link	
3. All the members of the committee have relevant background, knowledge, skills, and/or	Compliant		

experience in the areas of accounting, auditing and finance.		http://luisitasugar.com/corporate-governance/board-committees/	
4. The Chairman of the Audit Committee is not the Chairman of the Board or of any other committee.	Compliant	The Chairman of the Audit Committee is not the Chairman of the Board.	
Supplement to Recommendation 3.2			
1. Audit Committee approves all non-audit services conducted by the external auditor.	Compliant	The external auditor has not rendered non-audit service for the period covered by this report.	
2. Audit Committee conducts regular meetings and dialogues with the external audit team without anyone from management present.	Compliant	The Audit Committee met with the Company's External Auditor prior to the Board's approval of the Company's Audited Financial Statement.	
Optional: Recommendation 3.2			
1. Audit Committee meet at least four times during the year.			
2. Audit Committee approves the appointment and removal of the internal auditor.			
Recommendation 3.3			
1. Board establishes a Corporate Governance Committee tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to a Nomination and Remuneration Committee.	Compliant	The Company's Manual on Corporate Governance and Corporate Governance provides that *"The Board shall establish a Corporate Governance Committee that shall assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to a Nomination and Remuneration Committee. It shall be composed of at least three members, all*	

		of whom shall be independent directors, including the Chairman. *The Corporate Governance Committee shall be responsible in ensuring compliance with and proper observance of corporate governance principles and practices. It has the following duties and functions, among others:* *-Oversees the implementation of the corporate governance framework and periodically reviews the said framework to ensure that it remains appropriate in light of material changes to the Company's size, complexity and business strategy, as well as its business and regulatory environments;* *-Oversees the periodic performance evaluation of the Board and its committees as well as executive management, and conducts an annual self-evaluation of its performance;* *-Ensures that the results of the Board evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;* *-Recommends continuing education/training programs for directors, assignment of tasks/projects to board committees, succession plan for the board members and senior officers,*	

		and remuneration packages for corporate and individual performance; *-Adopts corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance;* *-Proposes and plans relevant trainings for the members of the Board;* *-Determines the nomination and election process for the company's directors and has the special duty of defining the general profile of board members that the company may need and ensuring appropriate knowledge, competencies and expertise that complement the existing skills of the Board; and* *-Establishes a formal and transparent procedure to develop a policy for determining the remuneration of directors and officers that is consistent with the Company's culture and strategy as well as the business environment in which it operates."* The Company's Manual on Corporate Governance may be accessed through the following link	

		http://luisitasugar.com/corporate-governance/manual-on-corporate-governance/ The Company's Corporate Governance Committee Charter may be accessed through the following link http://luisitasugar.com/corporate-governance/board-committees/	
2. Corporate Governance Committee is composed of at least three members, all of whom should be independent directors.	Non-compliant		The information on the members, including the Chairman of the Corporate Governance Committee and their qualifications maybe accessed in the Company's website through the following link http://luisitasugar.com/corporate-governance/board-committees/
3. Chairman of the Corporate Governance Committee is an independent director.	Compliant	Majority of the members, including the Chairman of the Corporate Governance Committee, are independent directors.	
Optional: Recommendation 3.3.			
1. Corporate Governance Committee meet at least twice during the year.			
Recommendation 3.4			
1. Board establishes a separate Board Risk Oversight Committee (BROC) that should be responsible for the oversight of a company's Enterprise Risk Management system to ensure its functionality and effectiveness.	Compliant	The functions of a Board Risk and Oversight Committee is undertaken by the Company's Audit Committee. The Audit Committee Charter provides that	

2. BROC is composed of at least three members, the majority of whom should be independent directors, including the Chairman.	Compliant	*"The Audit Committee may perform the functions of Risk Oversight Committee which oversees the Company's Enterprise Management System to ensure its functionality and effectiveness, as well as the functions of Related Party Transactions Committee which reviews all material related party transactions of the Company."* The Company's Audit Committee Charter may be accessed through the following link http://luisitasugar.com/corporate-governance/board-committees/ The Company deems that its size, risk profile and complexity of operations does not require the establishment of a BROC. In accordance with the SEC Memorandum Circular No. 19, Series of 2016, Corporate Governance Code for Publicly Listed Corporations, the establishment of a Board Risk Oversight Committee depends on size, risk profile and complexity of operations and is generally applicable to conglomerates and companies with high risk profile.	
3. The Chairman of the BROC is not the Chairman of the Board or of any other committee.	Compliant		
4. At least one member of the BROC has relevant thorough knowledge and experience on risk and risk management.	Compliant		
Recommendation 3.5			
1. Board establishes a Related Party Transactions (RPT) Committee, which is tasked with	Compliant		

reviewing all material related party transactions of the company.		The functions of a Related Party Transactions Committee is undertaken by the Company's Audit Committee. The Audit Committee Charter provides that *"The Audit Committee may perform the functions of Risk Oversight Committee which oversees the Company's Enterprise Management System to ensure its functionality and effectiveness, as well as the functions of Related Party Transactions Committee which reviews all material related party transactions of the Company."* The Company's Audit Committee Charter may be accessed through the following link http://luisitasugar.com/corporate-governance/board-committees/ The Company deems that its size, risk profile and complexity of operations does not require the establishment of a RPT Committee. In accordance with the SEC Memorandum Circular No. 19, Series of 2016, Corporate Governance Code for Publicly Listed Corporations, the establishment of a Related Party Transactions Committee depends on size, risk profile and complexity of operations and is generally applicable to	
2. RPT Committee is composed of at least three non-executive directors, two of whom should be independent, including the Chairman.	Compliant		

		conglomerates and companies with high risk profile.	
Recommendation 3.6			
1. All established committees have a Committee Charter stating in plain terms their respective purposes, memberships, structures, operations, reporting process, resources and other relevant information.	Compliant	The Company's Manual on Corporate Governance may be accessed through the following link http://luisitasugar.com/corporate-governance/manual-on-corporate-governance/ The Company's Charters of the Corporate Governance Committee and Audit Committee may be accessed through the following link http://luisitasugar.com/corporate-governance/board-committees/	
2. Committee Charters provide standards for evaluating the performance of the Committees.	Compliant		
3. Committee Charters were fully disclosed on the company's website.	Compliant		
Principle 4: To show full commitment to the company, the directors should devote the time and attention necessary to properly and effectively perform their duties and responsibilities, including sufficient time to be familiar with the corporation's business.			
Recommendation 4.1			
1. The Directors attend and actively participate in all meetings of the Board, Committees and shareholders in person or through tele-/videoconferencing conducted in accordance with the rules and regulations of the Commission.	Compliant	The Company's Manual on Corporate Governance and Board Charter provides that *"The directors shall attend and actively participate in all meetings of the Board, Committees, and Shareholders in person or through tele-/videoconferencing conducted in accordance with the rules*	
2. The directors review meeting materials for all Board and Committee meetings.	Compliant		

3. The directors ask the necessary questions or seek clarifications and explanations during the Board and Committee meetings.	Compliant	*and regulations of the Commission, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent them from doing so."* The Board complies with the SEC MC. No. 15, Series of 2001 on board meetings through teleconferencing or videoconferencing. Materials for the meeting were given to the Directors a few days before the scheduled meeting.	
Recommendation 4.2			
1. Non-executive directors concurrently serve in a maximum of five publicly-listed companies to ensure that they have sufficient time to fully prepare for minutes, challenge Management's proposals/views, and oversee the long-term strategy of the company.	Compliant	The Company's Manual on Corporate Governance and Board Charter provides that *"The non-executive directors of the Board shall concurrently serve as directors to a maximum of five publicly listed companies to ensure that they have sufficient time to fully prepare for meetings, challenge Management's proposals/views, and oversee the long-term strategy of the company."* The Company's Manual on Corporate Governance may be accessed through the following link	

		http://luisitasugar.com/corporate-governance/manual-on-corporate-governance/ The Company's Board Charter may be accessed through the following link http://luisitasugar.com/corporate-governance/board-committees/ The respective profiles of the Company's directors containing their directorships in both listed and non-listed companies may be accessed through the following link http://luisitasugar.com/about-us/our-company/board-of-directors-management-team-and-executive-directors/	
Recommendation 4.3			
1. The directors notify the company's board before accepting a directorship in another company.	Compliant	The Company's Manual on Corporate Governance and Board Charter provides that *"A director shall notify the Board where he/she is an incumbent director before accepting a directorship in another company."* The Company's Manual on Corporate Governance may be accessed through the following link	

		http://luisitasugar.com/corporate-governance/manual-on-corporate-governance/ The Company's Board Charter may be accessed through the following link http://luisitasugar.com/corporate-governance/board-committees/	
Optional: Principle 4			
1. Company does not have any executive directors who serve in more than two boards of listed companies outside of the group.			
2. Company schedules board of directors' meetings before the start of the financial year.			
3. Board of directors meet at least six times during the year.			
4. Company requires as minimum quorum of at least 2/3 for board decisions.			
Principle 5: The board should endeavor to exercise an objective and independent judgment on all corporate affairs			
Recommendation 5.1			
1. The Board has at least 3 independent directors or such number as to constitute one-third of the board, whichever is higher.	Non-compliant		The Company has two (2) independent directors, which constitutes one-third of the board membership. The respective profiles of the Company's independent directors may be accessed through the following link

			http://luisitasugar.com/about-us/our-company/board-of-directors-management-team-and-executive-directors/
Recommendation 5.2			
1. The independent directors possess all the qualifications and none of the disqualifications to hold the positions.	Compliant	The respective profiles of the Company's independent directors may be accessed through the following link http://luisitasugar.com/about-us/our-company/board-of-directors-management-team-and-executive-directors/	
Supplement to Recommendation 5.2			
1. Company has no shareholder agreements, by-laws provisions, or other arrangements that constrain the directors' ability to vote independently.	Compliant	There are no shareholder agreements, by-laws provisions, or other arrangements that constrain the directors' ability to vote independently.	
Recommendation 5.3			
1. The independent directors serve for a cumulative term of nine years (reckoned from 2012).	Compliant	The years of service as an independent director is disclosed in the Company's Information Statement (SEC Form 20-IS), which may be accessed through the following link http://luisitasugar.com/disclosures/sec-filings/	

2. The company bars an independent director from serving in such capacity after the term limit of nine years.	Compliant	The Company's Manual on Corporate Governance and Board Charter provides that *"The Board's independent directors shall serve for a maximum cumulative term of nine (9) years. After which, the independent director shall be perpetually barred from reelection as such in the same company, but may continue to qualify for nomination and election as a non-independent director. In the instance that a company wants to retain an independent director who has served for nine years, the Board shall provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting."* The Company's Manual on Corporate Governance may be accessed through the following link http://luisitasugar.com/corporate-governance/manual-on-corporate-governance/ The Company's Board Charter may be accessed through the following link http://luisitasugar.com/corporate-governance/board-committees/ All the independent directors are still within the allowable term limit.	
3. In the instance that the company retains an independent director in the same capacity after nine years, the board provides meritorious justification and seeks shareholders' approval during the annual shareholders' meeting.	Compliant		

Recommendation 5.4			
1. The positions of Chairman of the Board and Chief Executive Officer are held by separate individuals.	Non-compliant		While the Chairman and Chief Executive Officer positions are being held by one and the same individual, the President and Chief Operating Officer whose function includes overseeing the operations of the Company are held by another individual and they are not related to each other.
2. The Chairman of the Board and Chief Executive Officer have clearly defined responsibilities.	Non-compliant		
Recommendation 5.5			
1. If the Chairman of the Board is not an independent director, the board designates a lead director among the independent directors.	Non-compliant		The Company's Manual on Corporate Governance and Board Charter provides that *"The Board may, whenever practicable, designate a lead director among the independent directors if the Chairman of the Board is not independent, including a situation where the positions of the Chairman of the Board and Chief Executive Officer are held by one person. The functions of the lead director include, among others, the following:* *-Serves as an intermediary between the Chairman and the other directors when necessary;* *-Convenes and chairs meetings of the non-executive directors; and* *-Contributes to the performance evaluation of the Chairman, as required."*

			The Company's Manual on Corporate Governance may be accessed through the following link http://luisitasugar.com/corporate-governance/manual-on-corporate-governance/ The Company's Board Charter may be accessed through the following link http://luisitasugar.com/corporate-governance/board-committees/ While there is no designated lead director, the Board ensures that it is functioning in accordance with the best practices on corporate governance.
Recommendation 5.6			
1. Directors with material interest in a transaction affecting the corporation abstain from taking part in the deliberations on the transaction.	Compliant	The Company's Manual on Corporate Governance and Board Charter provides that *"The board shall endeavor to exercise an objective and independent judgment on all corporate affairs. A director with a material interest in any transaction affecting the Company shall abstain from taking part in the deliberations for the same."* The Company's Manual on Corporate Governance may be accessed through the following link	

		http://luisitasugar.com/corporate-governance/manual-on-corporate-governance/ The Company's Board Charter may be accessed through the following link http://luisitasugar.com/corporate-governance/board-committees/ There had been no instance where a director had material interest in a transaction affecting the corporation that would require him to abstain from taking part in the deliberations on the transaction	
Recommendation 5.7			
1. The non-executive directors (NEDs) have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive present.	Non-Compliant		The Board composition and the active participation of the independent directors during meetings are among the factors considered for not appointing a lead director.
2. The meetings are chaired by the lead independent director.	Non-Compliant		
Optional: Principle 5			
1. None of the directors is a former CEO of the company in the past 2 years.			
Principle 6: The best measure of the Board's effectiveness is through an assessment process. The Board should regularly carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies.			

Recommendation 6.1			
1. Board conducts an annual self-assessment of its performance as a whole.	Non-compliant		The Company's Manual on Corporate Governance provides that *"The Board shall regularly carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies.* *The Board shall conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members and committees. Every three years, the assessment may be supported by an external facilitator.* *The Board shall have in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, the individual directors, committees and such system shall allow for a feedback mechanism from the shareholders."* The Company's Manual on Corporate Governance may be accessed through the following link http://luisitasugar.com/corporate-governance/manual-on-corporate-governance/ The Charters of Corporate Governance Committee and Audit Committee also provides the same requirement for annual assessment. The Company's Corporate Governance Committee Charter and Audit Committee
2. The Chairman conducts a self-assessment of his performance.	Non-compliant		
3. The individual members conduct a self-assessment of their performance.	Non-compliant		
4. Each committee conducts a self-assessment of its performance.	Non-compliant		

			Charter may be accessed through the following link http://luisitasugar.com/corporate-governance/board-committees/
5. Every three years, the assessments are supported by an external facilitator.	Compliant	The assessment is not due until end of 2020.	
Recommendation 6.2			
1. Board has in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, individual directors and committees.	Non-compliant		The Company's Manual on Corporate Governance provides that *"The Board shall have in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, the individual directors, committees and such system shall allow for a feedback mechanism from the shareholders."* The Company's Manual on Corporate Governance may be accessed through the following link http://luisitasugar.com/corporate-governance/manual-on-corporate-governance/
2. The system allows for a feedback mechanism from the shareholders.	Compliant	The shareholders may submit their feedback by communicating with the Investor Relations Officer. The contact information is found in the following page of the Company's website http://luisitasugar.com/investor-relations/	

Principle 7: Members of the Board are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders.			
Recommendation 7.1			
1. Board adopts a Code of Business Conduct and Ethics, which provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings of the company.	Compliant	The Board has adopted a Code of Business Conduct and Ethics, which was properly disseminated to the Board, senior management and employees. The same is publicly available and may be accessed through the following link http://luisitasugar.com/corporate-governance/code-of-business-conduct-and-ethics/	
2. The Code is properly disseminated to the Board, senior management and employees.	Compliant		
3. The Code is disclosed and made available to the public through the company website.	Compliant		
Supplement to Recommendation 7.1			
1. Company has clear and stringent policies and procedures on curbing and penalizing company involvement in offering, paying and receiving bribes.	Compliant	The Code of Conduct and Ethics provides that *" CAT does not tolerate any act of corruption or bribery* *Bribery or Corruption, for purposes of this Policy, shall be defined as making any offer, promise, or giving of gift, either personally or through the mediation of another, to a government official, in exchange for the performance or non-performance of his/her official duties.* *Violation of this provision would be subject to disciplinary measures, which*	

		may include dismissal, without prejudice from the Corporation's right to initiate a criminal or civil action. *The Corporation does not tolerate corrupt practices and considers the following conduct, contrary to its Policy and rules and regulations: (1) giving or accepting anything of value where the nature or value of the advantage is unreasonable or inappropriate to the occasion or the position and circumstances of the recipient (employee, supplier, contractor, customer, government agency); (2) giving or accepting anything of value with the intent or expectation of receiving or giving anything of value in return; (3) giving or accepting of value that may unduly influence the recipient's objectivity, judgment or discretion; (4) giving or accepting anything of value without proper documentation; and (5) violation of the Anti-Graft and Corrupt Practices Act."* The Company's Code of Conduct and Ethics may be accessed through the following link *http://luisitasugar.com/corporate-governance/code-of-business-conduct-and-ethics/*	
Recommendation 7.2			

1. Board ensures the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics.	Compliant	The Code of Conduct and Ethics provides that *"The administration and the implementation of this Code shall be the primary responsibility of the Unit Head who may, for this purpose, issue such implementing rules and regulations within their respective units that are consistent with this Code.* *Report of violations* *Directors, Officers and Employees are expected to strictly comply with this Code and to report to the non-compliance or violation thereof.* *Investigation* *Upon complaint or report, or on his own initiative, a Unit Head shall investigate or cause to be investigated, and decide all disciplinary offenses involving employees within his/her Unit.* *Offenses involving employees belonging to two or more Units shall be jointly investigated and decided by the Unit Heads concerned.* *Offenses for which the prescribed penalty is dismissal shall be investigated and decided in accordance with applicable laws, presidential decrees and republic acts. The Unit Head shall, in*	
2. Board ensures the proper and efficient implementation and monitoring of compliance with company internal policies.	Compliant		

		the discharge of this responsibility, be assisted by the Legal Office. *The decision shall be in writing and shall state i) the proofs submitted during the investigation; ii) the offense proven to have been committed, and iii) the reason in support of the decision.* *Evaluation of Cases* *The objectives sought to be attained by this Code shall be the guiding principles in evaluating all disciplinary cases. Unit Heads shall, in the discharge of their responsibilities under this Policy, see to it that the interests of the company are protected.* *Discipline* *Any employee who commits any of the offenses in the Company Policies and Rules and Regulations may be disciplined in accordance with the following Penalties:* *Written Warning – notice or advice given to an employee for having committed an offense, reminding or calling his/her attention of sterner penalties which may be imposed in case of repetition of the same offense.* *Suspension – this place an employee under suspension without pay for the*	

		specified period of day(s), and all fringe benefits may also be considered suspended during the period of suspension. *Dismissal – this is termination of An employee for commission of an extremely serious violation or any repeated offenses.* *Conflict Resolution* *In resolving conflicts, certain mechanisms are adapted such as the Grievance procedure, mediation and conciliation, arbitration and administrative investigation, as the case may be.* The Company's Code of Conduct and Ethics may be accessed through the following link *http://luisitasugar.com/corporate-governance/code-of-business-conduct-and-ethics/*	
Disclosure and Transparency			
Principle 8: The company should establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations.			
Recommendation 8.1			
1. Board establishes corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to	Compliant	The Company's Manual on Corporate Governance provides that	

shareholders and other stakeholders that gives a fair and complete picture of a company's financial condition, results and business operations.		*"The Company shall establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations.* *The Board shall establish corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders and other stakeholders that gives a fair and complete picture of a company's financial condition, results and business operations.* *All directors and officers shall disclose/report to the Company any dealings in the Company's shares within three (3) business days.* *The Board shall fully disclose all relevant and material information on individual board members and key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.* *The company shall provide a clear disclosure of its policies and procedure for setting Board and executive remuneration, as well as the level and mix of the same in the Annual Corporate Governance Report. The Company shall also disclose the remuneration on an*	

		individual basis, including termination and retirement provisions *The Company shall comply with the prescribed laws, rules and regulations relative to transactions involving related parties. The material or significant RPTs reviewed and approved during the year shall be disclosed in the Annual Corporate Governance Report.* *The Company shall make a full, fair, accurate and timely disclosure to the public of every material fact or event that occurs, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its shareholders and other stakeholders. Moreover, the Board of the offeree company shall appoint an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets.* *The Company's corporate governance policies, programs and procedures shall be appended to this Manual on Corporate Governance, which shall be submitted to the regulators and posted on the company's website."* The Company's Manual on Corporate Governance may be accessed through the following link	

		http://luisitasugar.com/corporate-governance/manual-on-corporate-governance/	
Supplement to Recommendations 8.1			
1. Company distributes or makes available annual and quarterly consolidated reports, cash flow statements, and special audit revisions. Consolidated financial statements are published within ninety (90) days from the end of the fiscal year, while interim reports are published within forty-five (45) days from the end of the reporting period.	Compliant	The Company makes available annual and quarterly consolidated reports, cash flow statements, and special audit revisions. Consolidated financial statements are published within ninety (90) days from the end of the fiscal year, while interim reports are published within forty-five (45) days from the end of the reporting period through a timely disclosure to the Philippine Stock Exchange through the following link http://edge.pse.com.ph/companyDisclosures/form.do?cmpy_id=183 The same reports are also uploaded in the Company's website through the following link http://luisitasugar.com/disclosures/sec-filings/	
2. Company discloses in its annual report the principal risks associated with the identity of the company's controlling shareholders; the degree of ownership concentration; cross-holdings among company affiliates; and any imbalances between the controlling shareholders' voting power and overall equity position in the company.	Compliant		
Recommendation 8.2			
1. Company has a policy requiring all directors to disclose/report to the company any dealings in the company's shares within three business days.	Compliant	The Company's Manual on Corporate Governance provides that *"All directors and officers shall disclose/report to the Company any*	
2. Company has a policy requiring all officers to disclose/report to the company any dealings in	Compliant		

the company's shares within three business days.		*dealings in the Company's shares within three (3) business days.* *The Board shall fully disclose all relevant and material information on individual board members and key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.* *The company shall provide a clear disclosure of its policies and procedure for setting Board and executive remuneration, as well as the level and mix of the same in the Annual Corporate Governance Report. The Company shall also disclose the remuneration on an individual basis, including termination and retirement provisions* *The Company shall comply with the prescribed laws, rules and regulations relative to transactions involving related parties. The material or significant RPTs reviewed and approved during the year shall be disclosed in the Annual Corporate Governance Report.* *The Company shall make a full, fair, accurate and timely disclosure to the public of every material fact or event that occurs, particularly on the acquisition or disposal of significant assets, which could adversely affect the*	

		viability or the interest of its shareholders and other stakeholders. Moreover, the Board of the offeree company shall appoint an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets. *The Company's corporate governance policies, programs and procedures shall be appended to this Manual on Corporate Governance, which shall be submitted to the regulators and posted on the company's website."* The Company's Manual on Corporate Governance may be accessed through the following link http://luisitasugar.com/corporate-governance/manual-on-corporate-governance/	
Supplement to Recommendation 8.2			
1. Company discloses the trading of the corporation's shares by directors, officers (or persons performing similar functions) and controlling shareholders. This includes the disclosure of the company's purchase of its shares from the market (e.g. share buy-back program).	Compliant	The Company discloses the trading of the corporation's shares by directors, officers (or persons performing similar functions) and controlling shareholders by filing SEC Form No. 23-A or SEC Form No. 23-B to the SEC and by timely disclosing the same to the Philippine Stock Exchange. This includes the disclosure of the company's purchase of its shares from the market. The said	

		reports may be accessed through the PSE portal through the following link http://edge.pse.com.ph/companyDisclosures/form.do?cmpy_id=183 The same reports are also uploaded in the Company's website and may be accessed through the following link http://luisitasugar.com/disclosures/sec-filings/	
Recommendation 8.3			
1. Board fully discloses all relevant and material information on individual board members to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.	Compliant	The directors' and key officers' academic qualifications, share ownership in the company, membership in other boards, other executive positions, professional experiences, expertise and relevant trainings attended are disclosed in the Company's website through the following link http://luisitasugar.com/about-us/our-company/board-of-directors-management-team-and-executive-directors/	
2. Board fully discloses all relevant and material information on key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.	Compliant		
Recommendation 8.4			
1. Company provides a clear disclosure of its policies and procedure for setting Board remuneration, including the level and mix of the same.	Non-compliant		The Board is in the process of reviewing company practices to be able to adopt a sound policy for the remuneration of the

2. Company provides a clear disclosure of its policies and procedure for setting executive remuneration, including the level and mix of the same.	Non-compliant		Board, and executives, as well as their termination and/or retirement.
3. Company discloses the remuneration on an individual basis, including termination and retirement provisions.	Non-compliant		The remuneration and/or compensation received by the directors is disclosed as a group in the Company's Annual Report. The Annual Report is timely disclosed to the PSE and may be accessed using the following link http://edge.pse.com.ph/companyDisclosures/form.do?cmpy_id=183 The Annual Report may also be accessed in the Company's website through the following link http://luisitasugar.com/disclosures/sec-filings/
Recommendation 8.5			
1. Company discloses its policies governing Related Party Transactions (RPTs) and other unusual or infrequently occurring transactions in their Manual on Corporate Governance.	Compliant	The Company's Manual on Corporate Governance and Board Charter provides that *"The Board shall have the overall responsibility in ensuring that there is a group-wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions, particularly those which pass certain thresholds of materiality. The policy shall include the appropriate review and approval of material or*	

		significant RPTs, which guarantee fairness and transparency of the transactions. The policy shall encompass all entities within the group, taking into account their size, structure, risk profile and complexity of operations." The Company's Manual on Corporate Governance may be accessed through the following link http://luisitasugar.com/corporate-governance/manual-on-corporate-governance/ The Company's Board Charter may be accessed through the following link http://luisitasugar.com/corporate-governance/board-committees/	
2. Company discloses material or significant RPTs reviewed and approved during the year.	Compliant	In the normal course of its business, the Company had transactions with related parties. Please see Note 27 (Related Party Transactions) of the Notes to Financial Statements as of June 30, 2017. The Annual Report is timely disclosed to the PSE and may be accessed using the following link http://edge.pse.com.ph/companyDisclosures/form.do?cmpy_id=183	

		The Annual Report may also be accessed in the Company's website through the following link http://luisitasugar.com/disclosures/sec-filings/	
Supplement to Recommendation 8.5			
1. Company requires directors to disclose their interests in transactions or any other conflict of interests.	Compliant	The Company's Manual on Corporate Governance and Board Charter provides that *"The Board shall oversee that an appropriate internal control system is in place, including setting up a mechanism for monitoring and managing potential conflicts of interest of Management, board members, and shareholders.* *The Board shall fully disclose all relevant and material information on individual board members and key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment."* The Company's Manual on Corporate Governance may be accessed through the following link http://luisitasugar.com/corporate-governance/manual-on-corporate-governance/	

		The Company's Board Charter may be accessed through the following link http://luisitasugar.com/corporate-governance/board-committees/ There are no instances in the period covering this report that the directors are required to disclose their interests in transactions or any other conflict of interests.	
Optional : Recommendation 8.5			
1. Company discloses that RPTs are conducted in such a way to ensure that they are fair and at arms' length.			
Recommendation 8.6			
1. Company makes a full, fair, accurate and timely disclosure to the public of every material fact or event that occur, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its shareholders and other stakeholders.	Compliant	The Company's Manual on Corporate Governance provides that *"The Company shall make a full, fair, accurate and timely disclosure to the public of every material fact or event that occurs, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its shareholders and other stakeholders."* The Company's Manual on Corporate Governance may be accessed through the following link	

		http://luisitasugar.com/corporate-governance/manual-on-corporate-governance/ There is no transaction in the period covered by this report requiring such disclosure.	
2. Board appoints an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets.	Compliant	The Company's Manual on Corporate Governance provides that *"the Board of the offeree company shall appoint an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets."* The Company's Manual on Corporate Governance may be accessed through the following link http://luisitasugar.com/corporate-governance/manual-on-corporate-governance/ There is no transaction in the period covered by this report requiring the appointment of an independent party to evaluate the fairness of a transaction.	
Supplement to Recommendation 8.6			
1. Company discloses the existence, justification and details on shareholder agreements, voting trust agreements, confidentiality agreements, and such other agreements that	Compliant	There are no existing shareholder agreements, voting trust agreements, confidentiality agreements, and such other agreements that may impact on the control, ownership, and strategic	

may impact on the control, ownership, and strategic direction of the company.		direction of the company. Hence, no disclosure of such nature.	
Recommendation 8.7			
1. Company's corporate governance policies, programs and procedures are contained in its Manual on Corporate Governance (MCG).	Compliant	The Company's Manual on Corporate Governance was timely submitted to the SEC and disclosed to the PSE. The Manual may be accessed through the following links http://luisitasugar.com/corporate-governance/manual-on-corporate-governance/ http://edge.pse.com.ph/companyDisclosures/form.do?cmpy_id=183	
2. Company's MCG is submitted to the SEC and PSE.	Compliant		
3. Company's MCG is posted on its company website.	Compliant		
Supplement to Recommendation 8.7			
1. Company submits to the SEC and PSE an updated MCG to disclose any changes in its corporate governance practices.	Compliant	The Company's Manual on Corporate Governance was timely submitted to the SEC and disclosed to the PSE. The Manual may be accessed through the following links http://luisitasugar.com/corporate-governance/manual-on-corporate-governance/ http://edge.pse.com.ph/companyDisclosures/form.do?cmpy_id=183	
Optional: Principle 8			
1. Does the company's Annual Report disclose the following information:			

a. Corporate Objectives	Compliant	The Annual Report is timely disclosed to the PSE and may be accessed using the following link http://edge.pse.com.ph/companyDisclosures/form.do?cmpy_id=183 The Annual Report may also be accessed in the Company's website through the following link http://luisitasugar.com/disclosures/sec-filings/	
b. Financial performance indicators	Compliant		
c. Non-financial performance indicators	Compliant		
d. Dividend Policy	Compliant		
e. Biographical details (at least age, academic qualifications, date of first appointment, relevant experience, and other directorships in listed companies) of all directors	Compliant		
f. Attendance details of each director in all directors meetings held during the year	Non-compliant		The attendance of the directors are disclosed in a separate report to the SEC.
g. Total remuneration of each member of the board of directors	Non-compliant		The remuneration of the directors is presented as a group.
2. The Annual Report contains a statement confirming the company's full compliance with the Code of Corporate Governance and where there is non-compliance, identifies and explains reason for each such issue.	Compliant	The Annual Report is timely disclosed to the PSE and may be accessed using the following link http://edge.pse.com.ph/companyDisclosures/form.do?cmpy_id=183	

		The Annual Report may also be accessed in the Company's website through the following link http://luisitasugar.com/disclosures/sec-filings/	
3. The Annual Report/Annual CG Report discloses that the board of directors conducted a review of the company's material controls (including operational, financial and compliance controls) and risk management systems.	Non-compliant		While the conduct of the Board's review of the company's material controls (including operational, financial and compliance controls) and risk management systems is not disclosed in the Annual Report, the board had actively addressed any and all issues relating to the same.
4. The Annual Report/Annual CG Report contains a statement from the board of directors or Audit Committee commenting on the adequacy of the company's internal controls/risk management systems.	Non-compliant		
5. The company discloses in the Annual Report the key risks to which the company is materially exposed to (i.e. financial, operational including IT, environmental, social, economic).	Compliant	The Annual Report is timely disclosed to the PSE and may be accessed using the following link http://edge.pse.com.ph/companyDisclosures/form.do?cmpy_id=183 The Annual Report may also be accessed in the Company's website through the following link http://luisitasugar.com/disclosures/sec-filings/	

Principle 9: The company should establish standards for the appropriate selection of an external auditor, and exercise effective oversight of the same to strengthen the external auditor's independence and enhance audit quality.			
Recommendation 9.1			
1. Audit Committee has a robust process for approving and recommending the appointment, reappointment, removal, and fees of the external auditors.	Compliant	The Audit Committee Charter provides that *"Recommends to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the Commission, who undertakes an independent audit of the corporation, and provides an objective assurance on the manner by which the financial statements shall be prepared and presented to the stockholders.* *Assess the integrity and independence of the corporation's External Auditor; reviews and monitors the External Auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements; and reviews and monitors the External Auditor's suitability and effectiveness on an annual basis."* Stockholders representing a total of 88.16% of the Company's total outstanding capital ratified the re-appointment of the Company's External Auditor.	
2. The appointment, reappointment, removal, and fees of the external auditor is recommended by the Audit Committee, approved by the Board and ratified by the shareholders.	Compliant		
3. For removal of the external auditor, the reasons for removal or change are disclosed to the regulators and the public through the company website and required disclosures.	Compliant		

Supplement to Recommendation 9.1			
1. Company has a policy of rotating the lead audit partner every five years.	Compliant	The Company disclosed the name of the lead auditor in its Annual Report and Annual Corporate Governance Report, which may be viewed at http://luisitasugar.com/disclosures/sec-filings/	
Recommendation 9.2			
1. Audit Committee Charter includes the Audit Committee's responsibility on: i. assessing the integrity and independence of external auditors; ii. exercising effective oversight to review and monitor the external auditor's independence and objectivity; and iii. exercising effective oversight to review and monitor the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements.	Compliant	The Company's Audit Committee Charter may be accessed through the following link http://luisitasugar.com/corporate-governance/board-committees/	
2. Audit Committee Charter contains the Committee's responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.	Compliant	The Company's Corporate Governance Committee Charter may be accessed through the following link http://luisitasugar.com/corporate-governance/board-committees/	
Supplement to Recommendations 9.2			

1. Audit Committee ensures that the external auditor is credible, competent and has the ability to understand complex related party transactions, its counterparties, and valuations of such transactions.	Compliant	The Company's Corporate Governance Committee Charter may be accessed through the following link http://luisitasugar.com/corporate-governance/board-committees/	
2. Audit Committee ensures that the external auditor has adequate quality control procedures.	Compliant	The Company's Corporate Governance Committee Charter may be accessed through the following link http://luisitasugar.com/corporate-governance/board-committees/	
Recommendation 9.3			
1. Company discloses the nature of non-audit services performed by its external auditor in the Annual Report to deal with the potential conflict of interest.	Compliant	The external auditor has not rendered non-audit services.	
2. Audit Committee stays alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the external auditor's objectivity.	Compliant	The Audit Committee Charter provides that *"Evaluates and determines the non-audit work, if any, of the External Auditor, and periodically reviews the non-audit fees paid to the External Auditor in relation to the total fees paid to him and to the corporation's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an External Auditor or may*	

		pose a threat to his independence. The non-audit work, if allowed, shall be disclosed in the Company's Annual Report and Annual Corporate Governance Report." The Company's Audit Committee Charter may be accessed through the following link http://luisitasugar.com/corporate-governance/board-committees/	
Supplement to Recommendation 9.3			
1. Fees paid for non-audit services do not outweigh the fees paid for audit services.	Compliant	There are no non-audit services rendered by the external auditor.	
Additional Recommendation to Principle 9			
1. Company's external auditor is duly accredited by the SEC under Group A category.	Compliant	The information of the Company's external auditor are as follows: 1. Name of the audit engagement partner - Maria Veronica Andresa R. Pore 2. Accreditation number - SEC Accreditation No. 0662-.AR-3 (Group A) 3. Date Accredited - March 2, 2017 4. Expiry date of accreditation - March I, 2020	

		5. Name, address, contact number of the audit firm - SyCip Gorres Velayo & Company, 6760 Ayala Avenue, Makati City, 1226 Metro Manila, Philippines, Tel: (632) 891-0307	
2. Company's external auditor agreed to be subjected to the SEC Oversight Assurance Review (SOAR) Inspection Program conducted by the SEC's Office of the General Accountant (OGA).	Compliant	The Company's external auditor has not been selected by the SEC's General Accountant to be inspected following the rules in SEC MC No. 9, 2017. T	
Principle 10: The company should ensure that the material and reportable non-financial and sustainability issues are disclosed.			
Recommendation 10.1			
1. Board has a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability.	Compliant	The Company's Manual on Corporate Governance provides that *"The company shall ensure that the material and reportable non-financial and sustainability issues are disclosed.* *The Board shall have a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability. The Company shall adopt a globally recognized*	

		standard/framework in reporting sustainability and non-financial issues." The Company's Manual on Corporate Governance may be accessed through the following link http://luisitasugar.com/corporate-governance/manual-on-corporate-governance/	
2. Company adopts a globally recognized standard/framework in reporting sustainability and non-financial issues.	Non-compliant		The Board continuously reviews company-wide practices in reporting sustainability and non-financial issues.
Principle 11: The company should maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is crucial for informed decision-making by investors, stakeholders and other interested users.			
Recommendation 11.1			
1. Company has media and analysts' briefings as channels of communication to ensure the timely and accurate dissemination of public, material and relevant information to its shareholders and other investors.	Compliant	The Company's Manual on Corporate Governance and Board Charter provides that *"The company shall maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. The company shall include media and analysts' briefings as channels of communication to ensure the timely and accurate dissemination of public,*	

		material and relevant information to its shareholders and other investors." The Company's Manual on Corporate Governance may be accessed through the following link http://luisitasugar.com/corporate-governance/manual-on-corporate-governance/ The Company timely disclosed structured and unstructured reports to the PSE online portal and regularly maintains a website. These platforms serve as effective channels of communication to ensure the timely and accurate dissemination of public, material and relevant information to its shareholders and other investors.	
Supplemental to Principle 11			
1. Company has a website disclosing up-to-date information on the following:	Compliant	The Company maintains its own website and may be accessed through the following link http://luisitasugar.com	
a. Financial statements/reports (latest quarterly)	Compliant	http://luisitasugar.com/disclosures/sec-filings/	
b. Materials provided in briefings to analysts and media	Compliant	The Company did not hold any briefings to analysts and media during the period covered by this report.	

c. Downloadable annual report	Compliant	http://luisitasugar.com/disclosures/sec-filings/	
d. Notice of ASM and/or SSM	Compliant	http://luisitasugar.com/disclosures/notice-of-annual-or-special-stockholders-meetings/	
e. Minutes of ASM and/or SSM	Compliant	http://luisitasugar.com/disclosures/minutes-of-all-general-or-special-stockholders-meetings/	
f. Company's Articles of Incorporation and By-Laws	Compliant	http://luisitasugar.com/about-us/our-company/	
Additional Recommendation to Principle 11			
1. Company complies with SEC-prescribed website template.	Compliant	The Company's website is maintained in accordance with SEC MC No. 11, Series of 2014. http://luisitasugar.com	
Internal Control System and Risk Management Framework			
Principle 12: To ensure the integrity, transparency and proper governance in the conduct of its affairs, the company should have a strong and effective internal control system and enterprise risk management framework.			
Recommendation 12.1			
1. Company has an adequate and effective internal control system in the conduct of its business.	Compliant	The Company has an in-house internal audit which reports directly to the Audit Committee in evaluating internal control system in the conduct of its business.	
2. Company has an adequate and effective enterprise risk management framework in the conduct of its business.	Compliant	The Company has effectively addressed its risk management issues by identifying key risks and the procedure of managing	

		the same as indicated in the Company's Annual Report. The Company's Annual Report may be accessed through the following links http://luisitasugar.com/disclosures/sec-filings/ http://edge.pse.com.ph/companyDisclosures/form.do?cmpy_id=183	
Supplement to Recommendations 12.1			
1. Company has a formal comprehensive enterprise-wide compliance program covering compliance with laws and relevant regulations that is annually reviewed. The program includes appropriate training and awareness initiatives to facilitate understanding, acceptance and compliance with the said issuances.	Compliant	The Company's Code of Conduct and Ethics provides that *"The Company is bound by laws of the country, as well as the rules and regulations of regulatory agencies. Its directors, officers and employees are also expected to comply with prevailing laws, rules and regulations at all times. In addition thereto, adherence to internal rules shall be strictly observed, which may prescribe more stringent rules of conduct than the prevailing laws."* The Company's Code of Conduct and Ethics may be accessed through the following link http://luisitasugar.com/corporate-governance/code-of-business-conduct-and-ethics/	

Optional: Recommendation 12.1			
1. Company has a governance process on IT issues including disruption, cyber security, and disaster recovery, to ensure that all key risks are identified, managed and reported to the board.			
Recommendation 12.2			
1. Company has in place an independent internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the company's operations.	Compliant	The Company hired its in-house internal audit.	
Recommendation 12.3			
1. Company has a qualified Chief Audit Executive (CAE) appointed by the Board.	Non-compliant		The Company's Manual on Corporate Governance provides that *"The Board may appoint a qualified Chief Audit Executive (CAE) subject to the company's size, risk profile and complexity of operations. The CAE shall oversee and be responsible for the internal audit activity of the organization, including that portion that is outsourced to a third party service provider. In case of a fully outsourced internal audit activity, a qualified independent executive or senior management personnel shall be assigned the responsibility for managing the fully outsourced internal audit activity. The following are the responsibilities of the CAE, among others:*
2. CAE oversees and is responsible for the internal audit activity of the organization, including that portion that is outsourced to a third party service provider.	Non-compliant		

			Periodically reviews the internal audit charter and presents it to senior management and the Board Audit Committee for approval; *Establishes a risk-based internal audit plan, including policies and procedures, to determine the priorities of the internal audit activity, consistent with the organization's goals;* *Communicates the internal audit activity's plans, resource requirements and impact of resource limitations, as well as significant interim changes, to senior management and the Audit Committee for review and approval;* *Spearheads the performance of the internal audit activity to ensure it adds value to the organization;* *Reports periodically to the Audit Committee on the internal audit activity's performance relative to its plan"* The Company's Manual on Corporate Governance may be accessed through the following link http://luisitasugar.com/corporate-governance/manual-on-corporate-governance/ The Company's size, risk profile and complexity of operations does not require the appointment of a Chief Audit Executive. The Company has an existing internal audit mechanism.

3. In case of a fully outsourced internal audit activity, a qualified independent executive or senior management personnel is assigned the responsibility for managing the fully outsourced internal audit activity.	Compliant	The internal audit is in-house.	
Recommendation 12.4			
1. Company has a separate risk management function to identify, assess and monitor key risk exposures.	Compliant	The Company's Manual on Corporate Governance and Board Charter provides that *"The Board shall oversee that a sound enterprise risk management (ERM) framework is in place to effectively identify, monitor, assess and manage key business risks. The risk management framework shall guide the Board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.* *xxx* *The Company shall have an adequate and effective internal control system and an enterprise risk management framework in the conduct of its business, taking into account its size, risk profile and complexity of operations."*	

		The Company's Manual on Corporate Governance may be accessed through the following link http://luisitasugar.com/corporate-governance/manual-on-corporate-governance/ The Audit Committee performs functions of the Risk Oversight Committee.	
Supplement to Recommendation 12.4			
1. Company seeks external technical support in risk management when such competence is not available internally.	Compliant	The Company has competently addressed risk management issues through internal support.	
Recommendation 12.5			
1. In managing the company's Risk Management System, the company has a Chief Risk Officer (CRO), who is the ultimate champion of Enterprise Risk Management (ERM).	Non-compliant		The Company's Manual on Corporate Governance and Board Charter provides that *"The company shall have a Chief Risk Officer (CRO), who is the ultimate champion of Enterprise Risk Management (ERM) and has adequate authority, stature, resources and support to fulfill his/her responsibilities, subject to a company's size, risk profile and complexity of operations. The CRO has the following functions, among others:* *Supervises the entire ERM process and spearheads the development, implementation, maintenance and continuous improvement of ERM processes and documentation;*

			Communicates the top risks and the status of implementation of risk management strategies and action plans to the Board; *Collaborates with the CEO in updating and making recommendations to the Board;* *Suggests ERM policies and related guidance, as may be needed; and* *Provides insights on the following: Risk management processes are performing as intended; Risk measures reported are continuously reviewed by risk owners for effectiveness; and Established risk policies and procedures are being complied with."* The Company's Manual on Corporate Governance may be accessed through the following link http://luisitasugar.com/corporate-governance/manual-on-corporate-governance/ The Company's size, risk profile and complexity of operations does not require the appointment of a Chief Risk Officer. The Company has an existing internal risk management mechanism.
2. CRO has adequate authority, stature, resources and support to fulfill his/her responsibilities.	Non-compliant		The Company's size, risk profile and complexity of operations does not require the appointment of a Chief Risk Officer. The Company has an existing internal risk management mechanism.

Additional Recommendation to Principle 12			
1. Company's Chief Executive Officer and Chief Audit Executive attest in writing, at least annually, that a sound internal audit, control and compliance system is in place and working effectively.	Non-compliant		
Cultivating a Synergic Relationship with Shareholders			
Principle 13: The company should treat all shareholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights.			
Recommendation 13.1			
1. Board ensures that basic shareholder rights are disclosed in the Manual on Corporate Governance.	Compliant	The Company's Manual on Corporate Governance and Board Charter provides that *"The company shall treat all shareholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights.* *It is the duty of the Board to promote the rights of the stockholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights. Shareholders' rights relate to the following, among others:* *Pre-emptive rights; Dividend policies; Right to propose the holding of meetings and to include agenda items ahead of the scheduled Annual and Special Shareholders' Meeting; Right to*	
2. Board ensures that basic shareholder rights are disclosed on the company's website.	Compliant		

		nominate candidates to the Board of Directors; Nomination process; and Voting procedures that would govern the Annual and Special Shareholders' Meeting. *The Board shall encourage active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least 28 days before the meeting.* *The Board shall encourage active shareholder participation by making the result of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available the next working day. In addition, the Minutes of the Annual and Special Shareholders' Meeting shall be available on the company website within five business days from the end of the meeting.* *The Board shall make available, at the option of a shareholder, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner.* *The Board shall establish an Investor Relations Office (IRO) to ensure constant engagement with its shareholders. The IRO shall be present at every shareholders' meeting."*	

		The Company's Manual on Corporate Governance may be accessed through the following link http://luisitasugar.com/corporate-governance/manual-on-corporate-governance/	
Supplement to Recommendation 13.1			
1. Company's common share has one vote for one share.	Compliant	The Company's Manual on Corporate Governance may be accessed through the following link http://luisitasugar.com/corporate-governance/manual-on-corporate-governance/	
2. Board ensures that all shareholders of the same class are treated equally with respect to voting rights, subscription rights and transfer rights.	Compliant	The Company's Manual on Corporate Governance may be accessed through the following link http://luisitasugar.com/corporate-governance/manual-on-corporate-governance/	
3. Board has an effective, secure, and efficient voting system.	Compliant	The Company's Manual on Corporate Governance may be accessed through the following link http://luisitasugar.com/corporate-governance/manual-on-corporate-governance/	
4. Board has an effective shareholder voting mechanisms such as supermajority or "majority of minority" requirements to protect	Compliant	The Company's Manual on Corporate Governance may be accessed through the following link	

minority shareholders against actions of controlling shareholders.		http://luisitasugar.com/corporate-governance/manual-on-corporate-governance/	
5. Board allows shareholders to call a special shareholders' meeting and submit a proposal for consideration or agenda item at the AGM or special meeting.	Compliant	No shareholder have exercised the right to call a special shareholders' meeting and submit a proposal for consideration or agenda item at the AGM or special meeting.	
6. Board clearly articulates and enforces policies with respect to treatment of minority shareholders.	Compliant	The Company's Manual on Corporate Governance may be accessed through the following link http://luisitasugar.com/corporate-governance/manual-on-corporate-governance/	
7. Company has a transparent and specific dividend policy.	Compliance	The Company's Amended By-Laws may be accessed through the following link http://luisitasugar.com/about-us/our-company/	
Optional: Recommendation 13.1			
1. Company appoints an independent party to count and/or validate the votes at the Annual Shareholders' Meeting.		Identify the independent party that counted/validated the votes at the ASM, if any.	
Recommendation 13.2			
1. Board encourages active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with	Non-compliant		The Company observes service to its stockholders of the Information Statement at least 15 business days in accordance with the Securities Regulations Code.

sufficient and relevant information at least 28 days before the meeting.			There are no proposed remunerations or any changes that would need the approval of the shareholders. The Company's Information Statement (SEC Form No. 20-IS) may be accessed through the following link http://luisitasugar.com/disclosures/sec-filings/
1. Company's Notice of Annual Stockholders' Meeting contains the following information:	Compliant	The Company's Notices of Annual or Special Stockholders' Meeting may be accessed through the following link http://luisitasugar.com/disclosures/notice-of-annual-or-special-stockholders-meetings/ The Company's Information Statement includes such notice and contains the required reports to be submitted to the stockholders. The Company's Information Statement (SEC Form No. 20-IS) may be accessed through the following link http://luisitasugar.com/disclosures/sec-filings/	
a. The profiles of directors (i.e., age, academic qualifications, date of first appointment, experience, and directorships in other listed companies)	Compliant		
b. Auditors seeking appointment/re-appointment	Compliant		
c. Proxy documents	Compliant		
Optional: Recommendation 13.2			
1. Company provides rationale for the agenda items for the annual stockholders meeting	Compliant	The Company's Information Statement includes such notice and contains the	

		required reports to be submitted to the stockholders. The Company's Information Statement (SEC Form No. 20-IS) may be accessed through the following link http://luisitasugar.com/disclosures/sec-filings/	
Recommendation 13.3			
1. Board encourages active shareholder participation by making the result of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available the next working day.	Compliant	The Minutes of the Annual and Special Shareholders' Meetings were available on the company website. All the relevant questions raised and answers, if any, are reflected therein. The Minutes of the Annual and Special Shareholders' Meetings may be accessed through the following link http://luisitasugar.com/disclosures/minutes-of-all-general-or-special-stockholders-meetings/	
2. Minutes of the Annual and Special Shareholders' Meetings were available on the company website within five business days from the end of the meeting.	Compliant		
Supplement to Recommendation 13.3			
1. Board ensures the attendance of the external auditor and other relevant individuals to answer shareholders questions during the ASM and SSM.	Compliant	The external auditor and other relevant individuals were present during the Annual Stockholders' Meeting.	
Recommendation 13.4			

1. Board makes available, at the option of a shareholder, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner.	Compliant	The Company's Manual on Corporate Governance and Board Charter provides that *"The Board shall make available, at the option of a shareholder, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner."* The Company's Manual on Corporate Governance may be accessed through the following link http://luisitasugar.com/corporate-governance/manual-on-corporate-governance/ There is no intra-corporate dispute during the period covered by this report.	
2. The alternative dispute mechanism is included in the company's Manual on Corporate Governance.	Compliant		
Recommendation 13.5			
1. Board establishes an Investor Relations Office (IRO) to ensure constant engagement with its shareholders.	Compliant	The Company's Investor Relations Officer is Ms. Cecile D. Macaalay, who may be reached at (02)818-6270.	
2. IRO is present at every shareholder's meeting.	Compliant	The Investor Relations Officer was present during the annual stockholders' meeting.	
Supplemental Recommendations to Principle 13			
1. Board avoids anti-takeover measures or similar devices that may entrench ineffective management or the existing controlling shareholder group	Compliant	There are no anti-takeover measures or similar devices that may entrench ineffective management or the existing controlling shareholder group.	

2. Company has at least thirty percent (30%) public float to increase liquidity in the market.	Non-compliant		The Company's public float is 12.16%
Optional: Principle 13			
1. Company has policies and practices to encourage shareholders to engage with the company beyond the Annual Stockholders' Meeting			
2. Company practices secure electronic voting in absentia at the Annual Shareholders' Meeting.			
Duties to Stakeholders			
Principle 14: The rights of stakeholders established by law, by contractual relations and through voluntary commitments must be respected. Where stakeholders' rights and/or interests are at stake, stakeholders should have the opportunity to obtain prompt effective redress for the violation of their rights.			
Recommendation 14.1			
1. Board identifies the company's various stakeholders and promotes cooperation between them and the company in creating wealth, growth and sustainability.	Compliant	The Company's Code of Business Conduct and Ethics provides for policies which provide mechanisms for fair treatment and protection of stakeholders, such as Policy on the Conflict of Interest, Policy on Insider Trading, Policy on Related Party Transactions, Whistle Blowing Policy, Policy on Record Keeping, Reporting and Financial Integrity, Policy Against Acts of Corruption and Bribery, Policy on Health, Safety and Welfare of Employee, Environmental Management Policy, and Policy Against Discrimination and Harassment.	

		The Company's Code of Business and Ethics may be accessed through the following link http://luisitasugar.com/corporate-governance/code-of-business-conduct-and-ethics/	
Recommendation 14.2			
1. Board establishes clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders.	Compliant	The Company's Code of Business Conduct and Ethics provides for policies which provide mechanisms for fair treatment and protection of stakeholders, such as Policy on the Conflict of Interest, Policy on Insider Trading, Policy on Related Party Transactions, Whistle Blowing Policy, Policy on Record Keeping, Reporting and Financial Integrity, Policy Against Acts of Corruption and Bribery, Policy on Health, Safety and Welfare of Employee, Environmental Management Policy, and Policy Against Discrimination and Harassment. The Company's Code of Business and Ethics may be accessed through the following link http://luisitasugar.com/corporate-governance/code-of-business-conduct-and-ethics/	
Recommendation 14.3			

1. Board adopts a transparent framework and process that allow stakeholders to communicate with the company and to obtain redress for the violation of their rights.	Compliant	The stakeholders are welcomed to voice their concerns and/or complaints to the Company's Compliance Officer, Addison B. Castro. He may be reached at (02) 892-0301 or at addison.castro@gatchaliancastro.com The Company's Code of Business Conduct and Ethics provides that *" CAT is primarily dedicated in curtailing the illegal and unethical behavior within the Corporation. It is committed to upholding the core values of Integrity Honesty, Ethics, and Trust to foster and encourage an environment which shall not tolerate any illegal or unethical behavior.* *This Policy provides a formal procedure for a whistle blower, who may be a director, officer, employee, or other third party, who may raise his/her concerns regarding an illicit or unethical event inside the Corporation. The whistle blower is assured that the safeguards are established for protection from reprisals, harassment, or disciplinary action as a result of raising the said concern.* *The term "whistleblowing" refers to a report of a suspected or actual illegal or unethical behavior inside the*	

		Corporation. Whistleblowing concerns include, but not limited to: *Violation of Laws, whether civil or criminal;* *Violation of Rules and Regulations of Regulatory Agencies;* *Violation of Internal Rules, such as Code of Business Conduct and Ethics, Policies, Manual on Corporate Governance, Employees Manual on Company Rules and Regulation;* *Acts of Corruption and/or Bribery;* *Behavior that will negatively affect the Corporation's reputation* *Conduct prejudicial to the health and safety of the workplace* *Deliberate obstruction or concealment of any illegal or unethical behavior* *The whistleblower may send a report through any available means of communication to the Human Resources Department. The report shall be treated in utmost confidence and the identity of the whistleblower shall not be disclosed, except when the whistle blower may be put to testify in court. The corporation shall not be responsible in confidentiality issues when the whistle blower has*	

		communicated his report to a third party. *Anonymous reports, though not prohibited, are highly discouraged as the veracity of the information may be put in issue.* *Intentionally submitting a false report/allegation or fabricating any material evidence shall be dealt with severely. Proper disciplinary action may be sanctioned against the employee, without prejudice to the right of the Corporation or the aggrieved party to initiate any civil or criminal suit."* The Company's Code of Business and Ethics may be accessed through the following link http://luisitasugar.com/corporate-governance/code-of-business-conduct-and-ethics/	
Supplement to Recommendation 14.3			
1. Company establishes an alternative dispute resolution system so that conflicts and differences with key stakeholders is settled in a fair and expeditious manner.	Compliant	The Company's Code of Business Conduct and Ethics provides that *" In resolving conflicts, certain mechanisms are adapted such as the Grievance procedure, mediation and conciliation, arbitration and administrative investigation, as the case may be."*	

Additional Recommendations to Principle 14			
1. Company does not seek any exemption from the application of a law, rule or regulation especially when it refers to a corporate governance issue. If an exemption was sought, the company discloses the reason for such action, as well as presents the specific steps being taken to finally comply with the applicable law, rule or regulation.	Compliant	The Company firmly upholds that "it is bound by laws of the country, as well as the rules and regulations of regulatory agencies. Its directors, officers and employees are also expected to comply with prevailing laws, rules and regulations at all times. In addition thereto, adherence to internal rules shall be strictly observed, which may prescribe more stringent rules of conduct than the prevailing laws." There are no requests for exemptions or reliefs.	
2. Company respects intellectual property rights.	Compliant		
Optional: Principle 14			
1. Company discloses its policies and practices that address customers' welfare			
2. Company discloses its policies and practices that address supplier/contractor selection procedures			
Principle 15: A mechanism for employee participation should be developed to create a symbiotic environment, realize the company's goals and participate in its corporate governance processes.			
Recommendation 15.1			
1. Board establishes policies, programs and procedures that encourage employees to actively participate in the realization of the company's goals and in its governance.	Compliant	The Company's Code of Business Conduct and Ethics provides for policies and procedures that encourage employees to actively participate in the realization of the company's goals and in	

		its governance, such as Policy on the Conflict of Interest, Policy on Insider Trading, Policy on Related Party Transactions, Whistle Blowing Policy, Policy on Record Keeping, Reporting and Financial Integrity, Policy Against Acts of Corruption and Bribery, Policy on Health, Safety and Welfare of Employee, Environmental Management Policy, and Policy Against Discrimination and Harassment. The Company's Code of Business and Ethics may be accessed through the following link http://luisitasugar.com/corporate-governance/code-of-business-conduct-and-ethics/	
Supplement to Recommendation 15.1			
1. Company has a reward/compensation policy that accounts for the performance of the company beyond short-term financial measures.	Non-compliant		The Company regularly reviews and updates its merit based incentives to foster growth of performance and loyalty of the employees.
2. Company has policies and practices on health, safety and welfare of its employees.	Compliant	The Company's policy on health, safety and welfare of its employees in included in the Company's Code of Business Conduct and Ethics, which may be accessed through the following link http://luisitasugar.com/corporate-governance/code-of-business-conduct-and-ethics/	

3. Company has policies and practices on training and development of its employees.	Compliant	The Policy on Training in the Company's Code of Business Conduct and Ethics provides that " *Welfare and Trainings of the Employees* *CAT encourages employees from all levels to actively participate and support all programs of protection of human health, occupational safety, and protection of the environment that shall improve productivity and reduce incidence of work accidents. CAT shall provide appropriate environmental training and awareness to encourage its employees to practice this awareness and to actively promote a sense of responsibility among themselves and to other interested parties.* *CAT shall provide the employees are with the required trainings and protective clothing and gears used in the handling of machineries inside the sugar mill. Further, they are educated to assess and be prepared for emergency situations within the workplace to minimize, if not to eliminate, disastrous accidents* *Training and Development* *CAT believes in the creation of learning opportunity to its employees to achieve their full potential and development. The*	

		Corporation views development as an on-going partnership between the company and its employees, with the latter having the responsibility to grow in knowledge, skills and values or attitudes in areas that match the needs of the company. *Training shall focus on the development of the alignment of purpose and performance across the company, with particular emphasis on individual employee; team; and the total organization.* *Trainings are provided in order to develop and maintain a competitive workforce through formal training and/or informal training, which shall equally provide the trainee. Formal training events includes formal training courses (both in-house and external), on-the-job-training, study tour, temporary work assignments. Informal training events includes projects and task force assignments, readings, fora, seminars, video and audio presentations.* *Trainings are particularly provided for the following individuals:* *New hired employees* *Employees who assume new responsibilities or positions*	

		Employees who needs improvement in job performance and *Employees who must acquire changes in technology, services, practices, procedures, and governmental requirements* *Scope of the Trainings shall focus on the following various contents:* *Managerial/Supervisory – related to leadership and management roles and fuinctions* *Technical* *Functional – job related function* *Environmental, Health, and Safety – related to compliance with company policies, objectives, and procedures; and governmental laws.* *Computer – related to software applications* *The Organization Manpower and Resource Development Department (OMRDD) shall:* *Identify the training needs of the employees, including the general awareness for environmental aspects and impacts, and other specialized jobs.* *Prepare and submit to the Resident Manager for approval the training plan*	

		including budget, and other resources needed. *Implement, conduct, or monitor the training, seminar, or workshop programs. Resource person/trainor must have the competency requirements based on education, training and/or experience as evidenced by his/her training certificates."* The Company's Code of Business and Ethics may be accessed through the following link http://luisitasugar.com/corporate-governance/code-of-business-conduct-and-ethics/	
Recommendation 15.2			
1. Board sets the tone and makes a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Conduct.	Compliant	The Policy Against Corruption and Bribery provides that *" CAT does not tolerate any act of corruption or bribery* *Bribery or Corruption, for purposes of this Policy, shall be defined as making any offer, promise, or giving of gift, either personally or through the mediation of another, to a government official, in exchange for the performance or non-performance of his/her official duties.*	

		Violation of this provision would be subject to disciplinary measures, which may include dismissal, without prejudice from the Corporation's right to initiate a criminal or civil action. *The Corporation does not tolerate corrupt practices and considers the following conduct, contrary to its Policy and rules and regulations: (1) giving or accepting anything of value where the nature or value of the advantage is unreasonable or inappropriate to the occasion or the position and circumstances of the recipient (employee, supplier, contractor, customer, government agency); (2) giving or accepting anything of value with the intent or expectation of receiving or giving anything of value in return; (3) giving or accepting of value that may unduly influence the recipient's objectivity, judgment or discretion; (4) giving or accepting anything of value without proper documentation; and (5) violation of the Anti-Graft and Corrupt Practices Act."* The Company's Code of Business and Ethics may be accessed through the following link	

		http://luisitasugar.com/corporate-governance/code-of-business-conduct-and-ethics/	
2. Board disseminates the policy and program to employees across the organization through trainings to embed them in the company's culture.	Compliant	The existing company policies are disseminated through relative training and / or seminar sessions.	
Supplement to Recommendation 15.2			
1. Company has clear and stringent policies and procedures on curbing and penalizing employee involvement in offering, paying and receiving bribes.	Compliant	The Policy Against Corruption or Bribery as embodied in the Company's Code of Business Conduct and Ethics provides that *"Violation of this provision would be subject to disciplinary measures, which may include dismissal, without prejudice from the Corporation's right to initiate a criminal or civil action."* The Company's Code of Business and Ethics may be accessed through the following link http://luisitasugar.com/corporate-governance/code-of-business-conduct-and-ethics/	
Recommendation 15.3			
1. Board establishes a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation	Compliant	The Company's Whistle Blowing Policy provides that	

2. Board establishes a suitable framework for whistleblowing that allows employees to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns.	Compliant	*" CAT is primarily dedicated in curtailing the illegal and unethical behavior within the Corporation. It is committed to upholding the core values of Integrity Honesty, Ethics, and Trust to foster and encourage an environment which shall not tolerate any illegal or unethical behavior.* *This Policy provides a formal procedure for a whistle blower, who may be a director, officer, employee, or other third party, who may raise his/her concerns regarding an illicit or unethical event inside the Corporation. The whistle blower is assured that the safeguards are established for protection from reprisals, harassment, or disciplinary action as a result of raising the said concern.* *The term "whistleblowing" refers to a report of a suspected or actual illegal or unethical behavior inside the Corporation. Whistleblowing concerns include, but not limited to:* *Violation of Laws, whether civil or criminal;* *Violation of Rules and Regulations of Regulatory Agencies;* *Violation of Internal Rules, such as Code of Business Conduct and Ethics, Policies, Manual on Corporate Governance,*	

		Employees Manual on Company Rules and Regulation; *Acts of Corruption and/or Bribery;* *Behavior that will negatively affect the Corporation's reputation* *Conduct prejudicial to the health and safety of the workplace* *Deliberate obstruction or concealment of any illegal or unethical behavior* *The whistleblower may send a report through any available means of communication to the Human Resources Department. The report shall be treated in utmost confidence and the identity of the whistleblower shall not be disclosed, except when the whistle blower may be put to testify in court. The corporation shall not be responsible in confidentiality issues when the whistle blower has communicated his report to a third party.* *Anonymous reports, though not prohibited, are highly discouraged as the veracity of the information may be put in issue.* *Intentionally submitting a false report/allegation or fabricating any material evidence shall be dealt with severely. Proper disciplinary action may*	

		be sanctioned against the employee, without prejudice to the right of the Corporation or the aggrieved party to initiate any civil or criminal suit." The Company's Code of Business and Ethics may be accessed through the following link http://luisitasugar.com/corporate-governance/code-of-business-conduct-and-ethics/	
3. Board supervises and ensures the enforcement of the whistleblowing framework.	Compliant		
Principle 16: The company should be socially responsible in all its dealings with the communities where it operates. It should ensure that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.			
Recommendation 16.1			
1. Company recognizes and places importance on the interdependence between business and society, and promotes a mutually beneficial relationship that allows the company to grow its business, while contributing to the advancement of the society where it operates.	Compliant	The Company's Social Responsibility activities may be viewed at http://luisitasugar.com/corporate-governance/corporate-social-responsibility/	
Optional: Principle 16			
1. Company ensures that its value chain is environmentally friendly or is consistent with promoting sustainable development			
2. Company exerts effort to interact positively with the communities in which it operates			

Pursuant to the requirement of the Securities and Exchange Commission, this Integrated Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of MAKATI CITY on MAY 30, 2018.

SIGNATURES

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

FERNANDO IGNACIO C. COJUANGCO
President &
Chief Operating Officer

RENATO B. PADILLA
Independent Director

BENJAMIN I. ESPIRITU
Independent Director

ADDISON B. CASTRO
Compliance Officer

JANETTE L. PEÑA
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 30th day of May 2018, affiants exhibiting to me their respective competent evidence of identity as follows:

Name	Government Issued ID	Expiration Date
Martin Ignacio P. Lorenzo	Phil. Passport No. EC6023262	01 December 2020
Fernando Ignacio C. Cojuangco	Phil. Passport No. P2304918A	14 March 2022
Renato B. Padilla	GSIS No. 47101002469	
Benjamin I. Espiritu	Phil. Passport No. EB9719149	01 December 2018
Addison B. Castro	Phil. Passport No. EC3630424	09 March 2020
Janette L. Peña	Phil Passport No. EB9544620	07 Nov 18

NOTARY PUBLIC

JEROME T. AZARCON
NOTARY PUBLIC
Appointment No. M-247/ Until Dec. 31, 2018
4th Floor Jose Cojuangco & Sons Bldg.
119 Dela Rosa corner Paranca Sts., Legaspi Vill., Makati City
PTR No. 6628575/01/ 10/18/Makati City
IBP No. 025371/ 01/10/18/Makati City
Roll No. 66144

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Series of 2018.

JEROME T. AZARCON
NOTARY PUBLIC
ROLL NO. 66144
MAKATI CITY, PHILIPPINES