SL Agritech Corporation

Financial Statements
May 31, 2015, 2014 and 2013
and Years Ended May 31, 2015, 2014 and 2013

and

Independent Auditors' Report

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

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
SL Agritech Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of SL Agritech Corporation, which comprise the statements of financial position as at May 31, 2015 and 2014, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended May 31, 2015, 2014 and 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, 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.

Auditors' Responsibility

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

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

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

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of SL Agritech Corporation as at May 31, 2015 and 2014, and its financial performance and its cash flows for the years ended May 31, 2015, 2014 and 2013 in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 32 to the financial statements, is presented for purpose of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of SL Agritech Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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August 4, 2015

SL AGRITECH CORPORATION
STATEMENTS OF FINANCIAL POSITION

	May 31		
	2015	2014	2013
ASSETS			
Current Assets			
Cash (Notes 7 and 27)	**₱291,206,938**	₱107,308,358	₱279,718,875
Receivables (Notes 8 and 27)	**1,485,294,377**	1,017,117,600	856,793,313
Inventories (Note 9)	**1,703,827,173**	1,301,836,704	794,441,907
Prepayments (Note 10)	**19,414,690**	15,394,951	12,998,209
Total Current Assets	**3,499,743,178**	2,441,657,613	1,943,952,304
Noncurrent Assets			
Property and equipment (Note 11)	**520,490,627**	452,990,016	510,989,791
Development costs (Note 12)	**920,143,664**	770,143,461	559,620,929
Biological assets	**–**	–	6,549,764
Security deposits (Note 27)	**7,089,348**	1,498,288	1,133,215
Total Noncurrent Assets	**1,447,723,639**	1,224,631,765	1,078,293,699
	₱4,947,466,817	₱3,666,289,378	₱3,022,246,003
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts and other payables (Notes 13 and 27)	**₱158,027,140**	₱109,646,473	₱116,266,040
Trust receipts payable (Notes 9, 14 and 27)	**791,601,644**	248,684,361	297,386,831
Short-term notes payable (Notes 15 and 27)	**2,493,526,576**	2,060,041,721	1,563,269,121
Total Current Liabilities	**3,443,155,360**	2,418,372,555	1,976,921,992
Noncurrent Liability			
Pension liability (Note 25)	**13,216,506**	11,438,781	8,939,797
Total Liabilities	**3,456,371,866**	2,429,811,336	1,985,861,789
Equity			
Capital stock (Note 16)	**710,000,000**	710,000,000	710,000,000
Retained earnings (Note 31)	**784,613,576**	530,199,753	329,259,914
Remeasurement loss on pension liability (Note 25)	**(3,518,625)**	(3,721,711)	(2,875,700)
	1,491,094,951	1,236,478,042	1,036,384,214
	₱4,947,466,817	₱3,666,289,378	₱3,022,246,003

See accompanying Notes to Financial Statements.

SL AGRITECH CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended May 31		
	2015	2014	2013
REVENUE			
Net sales (Note 17)	**₱2,046,803,293**	₱1,336,169,185	₱1,265,433,193
Fair value gain (loss) on agricultural produce (Note 9)	**19,276,194**	55,543,519	(3,626,669)
TOTAL REVENUE	**2,066,079,487**	1,391,712,704	1,261,806,524
COST OF SALES (Notes 9 and 18)	**1,271,894,364**	727,661,367	720,578,280
GROSS PROFIT	**794,185,123**	664,051,337	541,228,244
OPERATING EXPENSES (Note 19)	**(405,000,670)**	(344,279,343)	(264,382,728)
FINANCE COST (Note 22)	**(136,159,926)**	(117,428,611)	(96,000,113)
FINANCE INCOME (Note 7)	**268,444**	187,215	117,141
FOREIGN EXCHANGE GAINS (LOSSES) - Net	**1,174,541**	(1,038,026)	(435,847)
INCOME BEFORE TAX	**254,467,512**	201,492,572	180,526,697
PROVISION FOR TAX (Note 23)	**53,689**	552,733	23,428
NET INCOME	**254,413,823**	200,939,839	180,503,269
OTHER COMPREHENSIVE INCOME			
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gain (loss) on pension liability (Note 25)	**203,086**	(846,011)	–
TOTAL COMPREHENSIVE INCOME	**₱254,616,909**	₱200,093,828	₱180,503,269
BASIC/DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY (Note 24)	**₱0.36**	₱0.28	₱0.25

See accompanying Notes to Financial Statements.

SL AGRITECH CORPORATION
STATEMENTS OF CHANGES IN EQUITY

	For the Year Ended May 31, 2015			
	Capital Stock (Note 16)	**Retained Earnings** (Note 31)	**Remeasurement Loss on Pension Liability** (Note 25)	**Total**
Balances at June 1, 2014	**₱710,000,000**	**₱530,199,753**	**(₱3,721,711)**	**₱1,236,478,042**
Net income	–	**254,413,823**	–	**254,413,823**
Other comprehensive income	–	–	**203,086**	**203,086**
Total comprehensive income	–	**254,413,823**	**203,086**	**254,616,909**
Balances at the end of the year	**₱710,000,000**	**₱784,613,576**	**(₱3,518,625)**	**₱1,491,094,951**

	For the Year Ended May 31, 2014			
	Capital Stock (Note 16)	Retained Earnings (Note 31)	Remeasurement Loss on Pension Liability (Note 25)	Total
Balances at June 1, 2013	₱710,000,000	₱329,259,914	(₱2,875,700)	₱1,036,384,214
Net income	–	200,939,839	–	200,939,839
Other comprehensive loss	–	–	(846,011)	(846,011)
Total comprehensive loss	–	200,939,839	(846,011)	200,093,828
Balances at the end of the year	₱710,000,000	₱530,199,753	(₱3,721,711)	₱1,236,478,042

	For the Year Ended May 31, 2013			
	Capital Stock (Note 16)	Retained Earnings (Note 31)	Remeasurement Loss on Pension Liability (Note 25)	Total
Balances at June 1, 2012	₱710,000,000	₱148,756,645	(₱2,875,700)	₱855,880,945
Net income	–	180,503,269	–	180,503,269
Other comprehensive income	–	–	–	–
Total comprehensive income	–	180,503,269	–	180,503,269
Balances at the end of the year	₱710,000,000	₱329,259,914	(₱2,875,700)	₱1,036,384,214

See accompanying Notes to Financial Statements.

SL AGRITECH CORPORATION
STATEMENTS OF CASH FLOWS

	Years Ended May 31		
	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱254,467,512**	₱201,492,572	₱180,526,697
Adjustments for:			
Finance cost (Note 22)	**136,159,926**	117,428,611	96,000,113
Depreciation and amortization (Notes 11, 12 and 21)	**106,258,319**	109,924,026	83,707,196
Finance income (Note 7)	**(268,444)**	(187,215)	(117,141)
Gain on sale of property and equipment	**(688,000)**	(149,999)	(457,000)
Unrealized foreign exchange losses (gains) - net	**(1,174,541)**	1,038,026	435,846
Fair value loss (gain) on agricultural produce (Note 9)	**(19,276,194)**	(55,543,519)	3,626,669
Operating income before working capital changes	**475,478,578**	374,002,502	363,722,380
Decrease (increase) in:			
Receivables	**(467,002,236)**	(162,004,628)	(220,646,919)
Inventories	**(382,714,275)**	(451,851,278)	(93,542,956)
Prepayments	**(4,019,739)**	(2,396,742)	(1,069,839)
Security deposits	**(5,591,060)**	(365,073)	199,474
Increase (decrease) in:			
Accounts and other payables	**42,759,826**	(5,977,251)	66,687,153
Pension liability (Note 25)	**1,980,811**	1,652,973	1,702,396
Cash generated from (used in) operations	**(339,108,095)**	(246,939,497)	117,051,689
Interest paid	**(130,539,085)**	(117,428,611)	(96,000,113)
Interest received	**268,444**	187,215	117,141
Taxes paid	**(53,689)**	(552,733)	(23,428)
Net cash flows provided by (used in) operating activities	**(469,432,425)**	(364,733,626)	21,145,289
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property and equipment (Note 11)	**(163,133,128)**	(41,298,450)	(105,277,228)
Proceeds from sale of property and equipment	**688,000**	150,000	457,000
Decrease (increase) in:			
Capitalized development costs (Note 12)	**(160,626,005)**	(221,148,334)	(272,929,549)
Biological assets	–	6,549,764	(2,054,915)
Net cash flows used in investing activities	**(323,071,133)**	(255,747,020)	(379,804,692)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from notes payable	**3,151,987,441**	2,679,767,805	1,634,950,000
Payments of notes payable	**(2,718,502,586)**	(2,182,995,205)	(1,379,784,238)
Proceeds from trust receipts payable	**1,823,548,118**	521,154,931	754,617,576
Payments of trust receipts payable	**(1,280,630,835)**	(569,857,402)	(612,639,594)
Net cash flows provided by financing activities	**976,402,138**	448,070,129	397,143,744
NET INCREASE (DECREASE) IN CASH	**183,898,580**	(172,410,517)	38,484,341
CASH AT BEGINNING OF YEAR	**107,308,358**	279,718,875	241,234,534
CASH AT END OF YEAR (Note 7)	**₱291,206,938**	₱107,308,358	₱279,718,875

See accompanying Notes to Financial Statements.

SL AGRITECH CORPORATION
NOTES TO FINANCIAL STATEMENTS

1. **Corporate Information**

SL Agritech Corporation (the Company) was incorporated in the Philippines on September 11, 2000 to cultivate and grow primarily rice seeds, palay, corn and other agricultural grains. The Company also produces hybrid rice seeds and buys and sells rice grains. The Company also conducts research and development for the production of aromatic super hybrid rice.

The Company's registered office address is Sterling Place Building, 2302 Chino Roces Avenue Extension, Makati City.

2. **Basis of Preparation**

The financial statements of the Company have been prepared under the historical cost basis except for agricultural produce which have been measured at fair value less estimated point-of-sale cost at point of harvest. The financial statements are presented in Philippine Peso (₱), which is the Company's functional currency. Amounts are rounded to the nearest peso unless otherwise indicated.

Statement of Compliance
The Company's financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). The Company has adopted the new and revised accounting standards which became effective beginning January 1, 2014, in the accompanying financial statements.

3. **Changes in Accounting Policies**

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new and amended PFRS and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) that are discussed below. Except as otherwise indicated, the adoption of the new and amended PFRS and Philippine Interpretations did not have any effect on the financial statements of the Company.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
These Amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect disclosures only and have no impact on the Company's financial position or performance.

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

annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Company's financial position or performance.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments)*
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments have no financial impact in the Company's financial statements.

- Amendments to PFRS 10, PFRS 12 and PAS 27, *Investment Entities*
  These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The amendments have no financial impact in the Company's financial statements.

- Philippine Interpretation IFRIC 21, *Levies*
  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. This interpretation has no impact on the Company as it has applied the recognition principles under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, consistent with the requirements of IFRIC 21 in prior years.

Standards Issued but not yet Effective

The Company has not applied the following PFRS and Philippine Interpretations which are not yet effective as of December 31, 2014. This list consists of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective. The Company does not expect the adoption of these standards to have a significant impact in the financial statements, unless otherwise stated.

Effective in 2015

- PAS 19*, Employee Benefits - Defined Benefit Plans: Employee Contributions (Amendments)*
  The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014. The amendments will have no impact on the Company's financial statements.

Annual Improvements to PFRSs (2010-2012 cycle)
The Annual Improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. This amendment does not apply to the Company as it has no share-based payments.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Company shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Company's financial position or performance.

- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*
  The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment will have no impact on the Company's financial position or performance.

- PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*
  The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment will have no impact on the Company's financial position or performance.

- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and will have no impact on the Company's financial position or performance.

- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*
  The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

  The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

  The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments will have no impact on the Company's financial position or performance.

Annual Improvements to PFRSs (2011-2013 cycle)
The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRSs'*
  The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial

statements. This amendment is not applicable to the Company as it is not a first-time adopter of PFRS.

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment will have no impact on the Company's financial position or performance.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment will have no significant impact on the Company's financial position or performance.

- PAS 40, *Investment Property*
The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment will have no significant impact on the Company's financial position or performance.

Effective in 2016

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

- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements (Amendments)*
The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. These amendments will not have any impact on the Company's financial statements.

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments will have no significant impact on the Company's financial position or performance.

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

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company.

- PFRS 14, *Regulatory Deferral Accounts*
  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of consolidated financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Company is an existing PFRS preparer, this standard would not apply.

Annual Improvements to PFRSs (2012-2014 cycle)
The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Company. They include:

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

that changing the disposal method does not change the date of classification. The amendment will have no significant impact on the Company's financial position or performance.

- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
  PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments. The amendment will have no significant impact on the Company's financial position or performance.

- PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report. The amendment will have no significant impact on the Company's financial position or performance.

- PAS 19, *Employee Benefits - regional market issue regarding discount rate*
  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. The amendment will have no significant impact on the Company's financial position or performance.

Effective in 2018

- PFRS 9, *Financial Instruments*
  In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Company's financial liabilities.

  Deferred Effectivity

- Philippine Interpretation IFRIC 15, *Agreement for Construction of Real Estate*
  This Philippine Interpretation, which may be early applied, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or

through subcontractors. This Philippine Interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion.

Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. The adoption of the interpretation will have no impact on the Company's financial position or performance as the Company is not engaged in real estate businesses.

The following new standard issued by the IASB has not yet been adopted by the FRSC

- IFRS 15, *Revenue from Contracts with Customers*
  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

4. **Summary of Significant Accounting Policies**

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts and other sales taxes. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as principal in all of its revenue agreements. The following specific recognition criteria must also be met before revenue is recognized:

Revenue from sale of products

Revenue is generally recognized upon delivery when the risks and rewards of ownership have passed to the buyer. Revenue is measured at the fair value of the consideration received or receivable, net of any trade discounts and volume rebates.

Fair value gain or loss on agricultural produce

Fair value gain or loss on agricultural produce as a result of harvesting arises on initial recognition of agricultural produce at fair value less estimated point-of-sale costs. It is included in profit or loss for the period in which it arises.

Finance income
Interest income is recognized as it accrues using the effective interest method.

Cost of Sales
Cost of sales includes the purchase price of the products sold, as well as costs that are directly attributable in bringing the merchandise to its intended condition and location. These costs include the costs of direct labor and overhead costs.

Operating Expenses
Operating expenses constitute costs of administering the business. These are recognized as expenses as incurred.

Advertising and promotion
These include costs in promoting the products in the market. These are recognized when incurred.

Cash
Cash includes cash on hand and in banks.

Financial Instruments
Date of recognition
The Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial recognition
All financial assets are initially recognized at fair value. Except for financial assets at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. The Company classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity investments, available for sale (AFS) financial assets, and loans and receivables. The Company classifies its financial liabilities as financial liabilities at FVPL and other financial liabilities at amortized cost. The classification depends on the purpose for which the investments were acquired and whether these are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity net of any related income tax benefits.

As of May 31, 2015, 2014 and 2013, the financial assets of the Company are of the nature of loans and receivables, while its financial liabilities are of the nature of other financial liabilities.

Fair Value Measurement
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 Company.

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 economic best interest.

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

For the purpose of fair value disclosures, the Company 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.

'Day 1' difference
Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the profit or loss unless it qualifies for recognition as some other type of asset. In cases where the valuation technique used is made of data which is not observable, the difference between the transaction price and model

value is only recognized in the profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the 'Day 1' profit or loss amount.

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, loans and receivables are subsequently carried at amortized cost using the effective interest method less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate (EIR). Gains and losses are recognized in the statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. This accounting policy applies primarily to the statement of financial position captions "cash", "receivables" and "security deposits".

Other financial liabilities at amortized cost
All loans and borrowings are initially recognized at fair value of the consideration received less directly attributable transaction costs. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. Any effects of restatement of foreign currency-denominated assets or liabilities are recognized in profit or loss.

This accounting policy applies primarily to the Company's "accounts and other payables", "trust receipts payable" and "short-term notes payable".

Impairment of Financial Assets
The Company assesses at each financial reporting date whether there is objective evidence that 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 (or events) 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 borrower or a group of borrowers 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 measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables
For loans and receivables carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the statement of comprehensive income. Interest income continues to be recognized based on the original EIR of the asset. Receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as industry, past-due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

Derecognition of Financial Assets and Financial Liabilities

Financial asset

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

- the right to receive cash flows from the asset has expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Company has transferred its right to receive cash flows from the asset and either: (i) has transferred substantially all the risks and rewards of the asset, or (ii) has neither transferred nor retained the risk and rewards of the asset but has transferred the control of the asset.

When the Company has transferred its right 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 Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liability

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 statement of comprehensive income.

Evidence of impairment may include indications that the borrower or a group of borrowers 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 measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Offsetting of Financial Instruments
Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and the Company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

Inventories
Milled rice
Milled rice are valued at the lower of cost or net realizable value (NRV). NRV is the selling price in the ordinary course of business, less estimated costs of production, marketing and distribution. Cost is determined based on actual production cost using the weighted average method.

Agricultural produce
Agricultural produce (i.e. hybrid rice seeds) are carried at fair value less estimated point-of-sale costs at point of harvest. Agricultural produce are the harvested product from the Company's biological assets. A harvest occurs when a product is either detached from the bearer biological asset or when the biological asset's life processes cease.

The agricultural produce are initially measured at its fair value less estimated point-of-sale costs at point of harvest. The fair value is determined by reference to current market transaction price. The fair value resulting from initial measurement is subsequently used as cost if the product is subsequently sold. Other costs such as drying and chemical treatment are included but only to the extent that these are incurred in bringing the agricultural produce to its intended location and condition. Point-of-sale costs exclude transport and other costs necessary to get the agricultural produce to a market.

Agricultural and supplies inventories
Agricultural and supplies inventories are valued at the lower of cost or NRV. Costs are determined using the moving average method.

Dried palay
Dried palay are valued at the lower of cost or NRV. Cost is determined using the moving average method. Cost includes purchase price and other cost attributable in bringing the dried palay to its intended condition and location such as cost for labor and transportation.

Biological Assets
The biological assets of the Company are divided into germplasms and parental line growing crops.

Biological assets are measured on initial recognition and at each financial reporting date at costs less impairment losses and depreciation, if any.

As there are neither observable market prices for these biological assets nor alternative estimates of fair values that are determined to be clearly reliable exist that give a fair expression of the fair values, germplasm crops and parental line growing crops are valued at cost which comprises its purchase price and any cost attributable in bringing the biological asset to its location and condition intended by the management.

If there are indications that the NRV of these crops are lower than cost, a write down is made.

If it becomes possible subsequently to measure the fair value of a biological asset reliably, the Company measures it at its fair value less estimated point-of-sale costs.

Property and Equipment
Land is stated at cost less impairment in value. Property and equipment, other than land, is stated at cost less accumulated depreciation and accumulated impairment in value. Such cost includes initial transaction cost. When a major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied.

Depreciation are computed on a straight-line basis over the estimated useful lives (EUL) of the individual property and equipment as follows:

	Years
Machinery and equipment	5
Buildings and warehouse	5
Office equipment	5
Transportation equipment	5
Tools and equipment	5
Furniture and fixtures	2

Expenses for repair of property and equipment, such as ongoing maintenance, are charged to operations. The cost of acquisition or construction is capitalized if the expenses related to the asset will result in future economic benefits.

The assets' residual values, useful lives and depreciation method are reviewed at each financial reporting date and adjusted if appropriate. Impairment reviews take place when events or changes in circumstances indicate that the carrying values may not be recoverable. Impairment losses are recognized in the statement of comprehensive income.

An item of property and equipment is derecognized upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the original cost of the asset) is included in the statement of comprehensive income in the year the asset is derecognized. This is not applicable to items that still have a useful life but are currently classified as idle, depreciation continues for those items.

Assets under construction are stated at cost. These include costs of construction of property and equipment and other direct costs. Assets under construction are not depreciated until such time as the relevant assets are completed and put into operational use.

Research and Development Cost
Research costs are expensed as incurred.

Development expenditures refer to hybrid seeds development cost. Development expenditures on an individual project are recognized as an intangible asset when the Company can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure during development.

The Company capitalizes hybrid seed development costs generally once management deems a hybrid seed is probable of being commercially viable. This generally occurs in tandem with management's determination that a seed will provide high-yield crops and crops that are tolerant to adverse tropical conditions.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit.

Development costs are amortized on a straight-line basis over the EUL of seventeen (17) to twenty (20) years. Amortization of "development cost" is recorded in statement of comprehensive income under "cost of sales" account. During the period of development, the hybrid seeds development cost is tested for impairment annually.

Impairment of Nonfinancial Assets
This accounting policy applies primarily to the Company's property and equipment, biological assets and development costs.

The Company assesses at each financial reporting date whether there is an indication that and an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset'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 is largely independent of those from other assets or groups of assets.

Where 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 assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognized in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each financial reporting date as to whether there is an 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. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal, the depreciation and amortization are 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.

Foreign Currency Transactions
Transactions denominated in foreign currencies are recorded in Philippine Peso based on the exchange rate at the transaction date. Foreign currency-denominated monetary assets and liabilities are translated to Philippine Peso at closing exchange rates prevailing at the financial reporting dates. Foreign exchange differentials between the transaction rate and the rate at settlement date or financial reporting date of foreign currency-denominated monetary assets or liabilities are credited to or charged against current operations.

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

Deferred tax
Deferred tax is provided, using the balance sheet liability method, on all temporary differences, with certain exceptions, at financial reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. A deferred tax asset is recognized when it is probable that taxable income will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from excess minimum corporate income tax (MCIT) and unused net operating loss carry over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax credits from MCIT and unused NOLCO can be utilized.

The carrying amount of deferred tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Unrecognized deferred tax assets are reassessed at each financial reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The Company does not recognize deferred tax on temporary differences which are expected to reverse for periods where Income Tax Holiday (ITH) is in effect (Notes 23 and 26).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period 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 financial reporting date.

Government Grants

Government grants in the form of cash subsidy are recognized as revenue where there is reasonable assurance that the grant will be received and all attached conditions are complied with.

Provisions

Provisions are recognized only when the Company has 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 obligation. Provisions are reviewed at each financial reporting date and adjusted to reflect the current best estimate.

Pension Cost

Defined benefit plan

The defined benefit liability is the aggregate of the present value of the defined benefit obligation less the fair value of plan assets out of which the obligations are to be settled directly. If such aggregate is negative, the asset is measured at the lower of such aggregate and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Defined benefit costs on the Company's defined benefit retirement plan are actuarially computed using the projected unit credit (PUC) valuation method. Under this method, the current service cost is the present value of retirement benefits payable in the future with respect to the services rendered in the current period.

Defined benefit costs comprise the following:
(a) service cost;
(b) net interest on the net defined benefit liability or asset; and
(c) 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 profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

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 the risk-free interest rates of government issued 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 profit or loss.

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 other comprehensive income (OCI) in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. 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 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).

Leases
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term. Operating lease payments are recognized as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

Earnings Per Share (EPS)
Basic EPS is calculated by dividing net income attributable to equity holders of the Company by the weighted average number of common shares outstanding during the year.

Equity
Capital stock is measured at par value for all shares issued. When the Company issues shares in excess of par, the excess is recognized as additional paid-in capital (APIC). Incremental costs incurred directly attributable to the issuance of new shares are treated as deduction from APIC.

Retained earnings represent accumulated earnings of the Company less dividends declared.

Other Comprehensive Income (OCI)
OCI are items of income and expense that are not recognized in the profit or loss for the year in accordance with PFRS. The Company's OCI pertains to remeasurement gains and losses arising from defined benefit pension plan which cannot be recycled to profit or loss.

Operating Segment
The Company's operating businesses are organized and managed separately according to the type of the products provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 6 to the Company's financial statements.

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

Events After the Reporting Date
Post year-end events that provide additional information about the Company's position at the financial reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are non-adjusting events are disclosed in the notes to the financial statements, when material.

5. Significant Accounting Judgments and Estimates

The preparation of the financial statements in accordance with PFRS requires the Company to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses, and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates will be reflected in the financial statements as they become reasonably determinable.

Judgments and estimates 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.

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

Operating lease commitments - Company as lessee
The Company entered into various farm management agreements which cover the lease of agricultural lands for the production of hybrid rice palay/seeds in Laguna and Davao Oriental. The Company has determined, based on an evaluation of the terms and conditions of the arrangements that the risks and rewards related to those properties are retained by the lessor. As such, these lease agreements are accounted for as operating leases. The future minimum rentals payable under non-cancelable operating lease amounted to ₱13,750,000, ₱12,250,000 and ₱4,213,904 in 2015, 2014 and 2013, respectively (Note 29).

Biological assets
Biological assets are living plant such as germplasms and parental line growing crops. PAS 41, *Agriculture,* requires that biological assets shall be recognized at its fair value less point of sale costs except when there is inability to measure fair value reliably. The Company has determined that biological assets must be valued at cost less any impairment in value. The Company uses the cost method of valuation because germplasms and parental line growing crops have no active market and no active market for similar biological assets is available in the Philippines.

Development costs
Development costs are capitalized only when the asset can demonstrate that it will generate probable future economic benefits to the Company. This generally occurs in tandem with management's determination that a seed is viable and it will provide high-yield crops and crops that are tolerant to adverse tropical conditions. Costs incurred during the research phase are expensed outright.

The related balances follow (Note 12):

	2015	2014	2013
Development costs - cost	**₱1,081,144,295**	₱920,518,290	₱699,369,956
Accumulated amortization	**161,000,631**	150,374,829	139,749,027
Amortization	**10,625,802**	10,625,802	12,509,152

Estimates
The key assumptions concerning the future and other sources of estimation uncertainty at the financial 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.

Impairment of loans and receivables
The Company maintains an allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectability of the accounts. These factors

include, but are not limited to age of balances, financial status of counterparties, payment behavior and known market factors. The Company reviews the age and status of receivables, and identifies accounts that are to be provided with allowance on a regular basis.

The amount and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase recorded expenses and decrease net income.

The related balances follow (Note 8):

	2015	2014	2013
Receivables - net	**₱1,485,294,377**	₱1,017,117,600	₱856,793,313
Allowance for impairment losses	**16,000,000**	9,000,000	9,000,000

Inventories carried at the lower of cost or NRV
Inventories carried at the lower of cost or NRV include dried palay, agricultural and supplies inventories and milled rice. The Company computes NRV using estimated selling price in the ordinary course of business less estimated cost of completion and costs necessary to make the sale. This requires the Company to make an estimate of the inventories' estimated selling price in the ordinary course of business, costs of completion and costs necessary to make a sale to determine the NRV. In the event that NRV is lower than cost, the decline is recognized as an expense. Inventories carried at cost amounted to ₱1,062,989,884, ₱657,699,006 and ₱317,862,740 as of May 31, 2015, 2014 and 2013, respectively (Note 9). No allowance for inventory obsolescence was recognized as of May 31, 2015, 2014 and 2013.

Fair value of agricultural produce
The Company determined the fair values of agricultural produce based on the total actual selling prices approximating those at year-end less estimated point-of-sale costs at point of harvest. The point-of-sale costs at point of harvest include commissions to brokers and dealers and exclude transport and other costs necessary to get the agricultural produce to the market. The fair values of these produce are reviewed and updated if expectations differ from previous estimates due to changes brought by both physical change and price changes in the market. It is possible that future results of operations could be materially affected by changes in these estimates brought about by the changes in factors mentioned above. As of May 31, 2015, 2014 and 2013, fair value of agricultural produce amounted to ₱640,837,289, ₱644,137,698 and ₱476,579,167, respectively (Note 9).

Estimating useful lives of property and equipment
The Company estimates the useful lives of property and equipment, based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these property and equipment. It is possible that future results of operations could be materially affected by changes in these estimates. A reduction in the estimated useful lives of property and equipment would increase recorded depreciation and decrease the related asset accounts.

The related balances follow (Note 11):

	2015	2014	2013
Property and equipment - cost	**₱1,034,633,313**	₱874,665,527	₱834,242,077
Accumulated depreciation	**514,142,686**	421,675,511	323,252,286
Depreciation	**95,632,517**	99,298,224	71,198,044

Impairment of nonfinancial assets
The Company assesses impairment on property and equipment and development costs whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company 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.

The Company recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the value in use approach. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

As of May 31, 2015, 2014 and 2013, the Company has determined that there are no indications that its property and equipment and development costs may be impaired. The related balances follow:

	2015	2014	2013
Property and equipment (Note 11)	**₱520,490,627**	₱452,990,016	₱510,989,791
Development costs (Note 12)	**920,143,664**	770,143,461	559,620,929

Pension and other employee benefits
The determination of pension obligation and other employee benefits is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rates and salary increase rates. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension obligation.

As of May 31, 2015, 2014 and 2013, the Company's pension liability amounted to ₱13,216,506, ₱11,438,781 and ₱8,939,797, respectively (Note 25).

Deferred tax assets
The Company did not recognize any deferred tax asset (DTA) on temporary tax differences as the Company believes that it is not probable that future taxable income will be available in the period of reversal due to the ITH incentive benefited by the Company (Notes 23 and 26).

6. Segment Reporting

For management purposes, the Company's operating segments are organized and managed separately according to the type of the products provided, with each segment representing a strategic business unit that offers different products and serves different markets as follows:

- *Seeds Division* - cultivates, harvest and sell hybrid rice seeds to farmers
- *Rice Division* - purchases dried palay, mills and sells finished good rice grains to consumers

Management monitors the operating results of its operating segments separately for the purpose of making decision about resource allocation and performance assessment. Group financing (including finance income and finance cost) and income tax are managed on a group basis and are not allocated to operating segments. The Company evaluates performance based on earnings before income tax (EBIT). The Company does not report its results based on geographical segments because the Company has minimal operations outside the Philippines.

The amounts of segment assets and liabilities are based on the measurement principles that are similar with those used in measuring the assets and liabilities in the statement of financial position which is in accordance with PFRS.

Financial information about the operating segments is summarized as follows:

2015

	Seeds Division	Rice Division	Total
Net sales (Note 17)	**₱1,217,706,791**	**₱829,096,502**	**₱2,046,803,293**
Cost of sales (Note 18)	**(688,685,637)**	**(583,208,727)**	**(1,271,894,364)**
Gross profit	**529,021,154**	**245,887,775**	**774,908,929**
Operating expenses	**(223,183,301)**	**(140,555,249)**	**(363,738,550)**
EBIT	**305,837,853**	**105,332,526**	**411,170,379**
Depreciation and amortization expenses (Note 21)	**22,582,469**	**18,476,565**	**41,059,034**
Earnings before income tax and depreciation and amortization expenses (EBITDA)	**₱328,420,322**	**₱123,809,091**	**452,229,413**
Other operating expenses			**(₱41,262,120)**
Fair value gain on agricultural produce (Note 9)			**19,276,194**
Finance income (Note 7)			**268,444**
Finance cost			**(136,159,926)**
Depreciation and amortization expense (Note 21)			**(41,059,034)**
Foreign exchange gains - net			**1,174,541**
Income before tax			**254,467,512**
Provision for tax			**53,689**
Net income			**₱254,413,823**

2014

	Seeds Division	Rice Division	Total
Net sales (Note 17)	₱716,515,535	₱619,653,650	₱1,336,169,185
Cost of sales (Note 18)	(359,045,822)	(368,615,545)	(727,661,367)
Gross profit	357,469,713	251,038,105	608,507,818
Operating expenses	(126,899,547)	(159,133,120)	(286,032,667)
EBIT	230,570,166	91,904,985	322,475,151
Depreciation and amortization expenses (Note 21)	25,186,431	39,472,410	64,658,841
Earnings before income tax and depreciation and amortization expenses (EBITDA)	₱255,756,597	₱131,377,395	387,133,992
Other operating expenses			(₱58,246,676)
Fair value gain on agricultural produce (Note 9)			55,543,519
Finance income (Note 7)			187,215
Finance cost			(117,428,611)
Depreciation and amortization expense (Note 21)			(64,658,841)
Foreign exchange losses - net			(1,038,026)
Income before tax			201,492,572
Provision for tax			552,733
Net income			₱200,939,839

2013

	Seeds Division	Rice Division	Total
Net sales (Note 17)	₱849,164,011	₱416,269,182	₱1,265,433,193
Cost of sales (Note 18)	(480,189,586)	(240,388,694)	(720,578,280)
Gross profit	368,974,425	175,880,488	544,854,913
Operating expenses	(103,991,478)	(98,663,177)	(202,654,655)
EBIT	264,982,947	77,217,311	342,200,258
Depreciation and amortization expenses (Note 21)	16,168,615	37,222,641	53,391,256
EBITDA	₱281,151,562	₱114,439,952	395,591,514
Other operating expenses			(61,728,073)
Fair value gain on agricultural produce (Note 9)			(3,626,669)
Finance income (Note 7)			117,141
Finance cost			(96,000,113)
Depreciation and amortization expense (Note 21)			(53,391,256)
Foreign exchange losses - net			(435,847)
Income before final tax			180,526,697
Provision for final tax			23,428
Net income			₱180,503,269

Other information on the operating segments, to the extent possible, follows:

2015

	Seeds Division	**Rice Division**	**Others**	**Total**
Receivables (Note 8)	**₱1,230,707,439**	**₱205,136,060**	**₱49,450,878**	**₱1,485,294,377**
Inventories (Note 9)	**640,837,289**	**999,138,615**	**63,851,269**	**1,703,827,173**
Segment Assets	**₱1,871,544,728**	**₱1,204,274,675**	**₱113,302,147**	**₱3,189,121,550**

2014

	Seeds Division	Rice Division	Others	Total
Receivables (Note 8)	₱837,137,069	₱146,967,301	₱33,013,230	₱1,017,117,600
Inventories (Note 9)	644,137,698	623,926,575	33,772,431	1,301,836,704
Segment Assets	₱1,481,274,767	₱770,893,876	₱66,785,661	₱2,318,954,304

2013

	Seeds Division	Rice Division	Others	Total
Receivables (Note 8)	₱708,464,374	₱114,991,131	₱33,337,808	₱856,793,313
Inventories (Note 9)	476,579,167	287,078,505	30,784,235	794,441,907
Segment Assets	₱1,185,043,541	₱402,069,636	₱64,122,043	₱1,651,235,220

Intersegment Revenues
There are no intersegment revenues.

Segment Results
Significant results pertain to the net income (loss) of each the operating segments adjusted by the subsequent take up of significant transactions of operating segments with fiscal year end. The chief decision maker uses the 'EBIT' and 'EBITDA' in measuring the performance of each of the Company's operating segment. The Company defines each of the operating segment's 'EBIT' as the net income attributable to equity holders of the Company added by the provision for income tax. 'EBITDA' is computed by adding back to the EBIT the depreciation and amortization expenses charged to operating expenses during the period.

Segment Receivables and Inventories
Segment assets receivables and inventories are the resources owned by each of the operating segments.

Segment Liabilities
The amounts of segment liabilities are not distinguished between the divisions as both fairly share in the liabilities and both divisions are closely related.

Capital Expenditures
The components of capital expenditures reported to the chief decision maker are the acquisitions of property and equipment during the period.

Geographical Segments
The Company operates in the Philippines, Bangladesh, Myanmar, Vietnam, Indonesia, Pakistan, Oman, Malaysia, United Arab Emirates and United States of America.

The following table shows the distribution of the Company's revenues to external customers by geographical market, regardless of where the goods were produced:

	2015	2014	2013
Domestic	**₱1,953,907,217**	₱1,201,795,427	₱1,136,702,229
Foreign	**92,896,076**	134,373,758	128,730,964
	₱2,046,803,293	₱1,336,169,185	₱1,265,433,193

The Company's major customer is the Municipal Agriculture Office (MAO) which contributes revenues of ₱293,086,082, ₱156,764,967 and ₱114,430,518 in 2015, 2014 and 2013, respectively.

7. Cash

This account consists of:

	2015	2014	2013
Cash on hand	**₱2,516,938**	₱2,070,672	₱1,629,166
Cash in banks	**288,690,000**	105,237,686	278,089,709
	₱291,206,938	₱107,308,358	₱279,718,875

Cash in banks earns interest at the prevailing bank deposit rates. Interest income earned from savings amounted to ₱268,444, ₱187,215 and ₱117,141 in 2015, 2014 and 2013, respectively.

8. Receivables

This account consists of:

	2015	2014	2013
Trade receivables	**₱1,447,843,500**	₱993,104,370	₱832,455,506
Receivables from employees	**7,429,529**	20,399,020	13,090,345
Non-trade receivables	**46,021,348**	12,614,210	20,247,462
	1,501,294,377	1,026,117,600	865,793,313
Less allowance for impairment losses	**(16,000,000)**	(9,000,000)	(9,000,000)
	₱1,485,294,377	₱1,017,117,600	₱856,793,313

Receivables are noninterest-bearing and are generally collectible over a short-term period.

Trade receivables arise from sale of seeds and rice to customers. Seeds and rice receivables are usually on a six (6)-months', and sixty (60) to ninety (90) days' credit term, respectively. Also, trade receivables include advances to contract growers that arise when contract growers receive cash advances. The advances are short-term and within the crop year of no more than six (6) months. The advances are liquidated against proceeds from sale of dried palay to the Company.

Receivables from employees are collected through salary deductions.

Non-trade receivables consist primarily of advances to suppliers and creditable withholding tax.

In an assessment undertaken in 2015, the Company made an additional allowance for impairment loss amounting ₱7,000,000 (Note 19).

Changes in allowance for impairment losses follow:

	2015	2014	2013
Balance at the beginning of the year	**₱9,000,000**	₱9,000,000	₱4,332,350
Provision during the year	**7,000,000**	–	4,667,650
	₱16,000,000	₱9,000,000	₱9,000,000

	2015	2014	2013
Collectively impaired	**₱13,649,900**	₱6,649,900	₱6,649,900
Individually impaired	**2,350,100**	2,350,100	2,350,100
	₱16,000,000	₱9,000,000	₱9,000,000

The table below shows the analysis of the Company's receivables as of May 31, 2015, 2014 and 2013.

2015

	Total	**Neither past due nor impaired**	**Past due but not impaired <120 days**	**121-365 days**	**1- 2 years**	**Impaired**
Trade receivables	**₱1,447,843,500**	**₱1,433,492,685**	**₱1,660,100**	**₱690,715**	**₱–**	**₱12,000,000**
Receivables from employees	**7,429,529**	**7,429,529**	–	–	–	–
Non-trade receivables	**46,021,348**	**42,021,348**	–	–		**4,000,000**
	₱1,501,294,377	**₱1,482,943,562**	**₱1,660,100**	**₱690,715**	**₱–**	**₱16,000,000**

2014

	Total	Neither past due nor impaired	Past due but not impaired <120 days	121-365 days	1- 2 years	Impaired
Trade receivables	₱993,104,370	₱982,400,435	₱1,703,935	₱–	₱–	₱9,000,000
Receivables from employees	20,399,020	20,399,020	–	–	–	–
Non-trade receivables	12,614,210	12,361,250	–	–	252,960	–
	₱1,026,117,600	₱1,015,160,705	₱1,703,935	₱–	₱252,960	₱9,000,000

2013

	Total	Neither past due nor impaired	Past due but not impaired <120 days	121-365 days	1- 2 years	Individually Impaired
Trade receivables	₱832,455,506	₱821,895,814	₱1,559,692	₱–	₱–	₱9,000,000
Non-trade receivables	20,247,462	19,994,502	–	–	252,960	–
Receivables from employees	13,090,345	13,090,345	–	–	–	–
	₱865,793,313	₱854,980,661	₱1,559,692	₱–	₱252,960	₱9,000,000

9. Inventories

This account consists of:

	2015	2014	2013
At cost:			
Dried palay	**₱968,098,590**	₱593,169,480	₱272,688,750
Agricultural and supplies inventories	**63,851,269**	33,772,431	30,784,235
Milled rice	**31,040,025**	30,757,095	14,389,755
	1,062,989,884	657,699,006	317,862,740
Hybrid rice seed - at fair value less estimated point-of-sale cost at point of harvest	**640,837,289**	644,137,698	476,579,167
	₱1,703,827,173	₱1,301,836,704	₱794,441,907

The Company is accountable to the banks for the trusted merchandise or its sales proceeds under the terms of agreements covering liabilities under trust receipts which amounted to ₱791,601,644, ₱248,684,361 and ₱297,386,831 as of May 31, 2015, 2014 and 2013, respectively (Note 14).

The cost of inventories recognized as expense in the statements of comprehensive income amounted to ₱1,271,894,364, ₱727,661,367 and ₱720,578,280 in 2015, 2014 and 2013, respectively (Note 18).

The movement in hybrid rice seed carried at fair value less estimated point-of-sale cost at point of harvest follows:

	2015	2014	2013
At cost - beginning	**₱485,223,370**	₱373,096,767	₱421,898,444
Additions	**666,109,034**	471,172,425	395,496,342
Sales	**(688,685,637)**	(359,045,822)	(444,298,019)
At cost - end	**462,646,767**	485,223,370	373,096,767
Fair value gains net of point-of-sale cost at point of harvest	**178,190,522**	158,914,328	103,482,400
	₱640,837,289	₱644,137,698	₱476,579,167

The fair value gain (loss) on agricultural produce recognized in the statements of comprehensive income amounted to ₱19,276,194, ₱55,543,519 and (₱3,626,669) in 2015, 2014 and 2013, respectively.

The Company has about 142,363 bags, 120,085 bags and 87,396 bags of hybrid seeds in 2015, 2014 and 2013, respectively.

Cost of inventories that are pledged by the Company as security to short-term notes payable amounted to ₱289,093,987, ₱202,304,930 and ₱200,080,930 in 2015, 2014 and 2013, respectively (Note 15).

10. **Prepayments**

This account consists of prepayments for:

	2015	2014	2013
Land lease	**₱13,454,019**	₱9,388,201	₱7,393,114
Insurance	**3,438,220**	5,248,454	4,399,331
Others	**2,522,451**	758,296	1,205,764
	₱19,414,690	₱15,394,951	₱12,998,209

The Company has entered into contracts of operating leases of agricultural lands located in Lupon, Davao Oriental for the production of hybrid seeds ranging from six (6) months to three (3) years. Under these agreements, the lessor pays for real property taxes and shall not dispose of, sell, encumber, transfer, mortgage or alienate the agricultural land or do such acts that dispose or disallow the Company’s use of land during the term of the lease contracts. Farm land lease expense charged to cost of sales related to the lease of agricultural lands amounted to ₱41,152,693, ₱25,840,157 and ₱13,666,535 in 2015, 2014 and 2013, respectively (Note 18). Farm land lease expense amounting ₱18,722,462, ₱14,401,894 and ₱7,374,737 in 2015, 2014 and 2013, respectively, were included in the cost of inventories.

Insurance pertains to insurance premiums paid in advance for the Company’s vehicles.

Others consist primarily of real property tax paid, subscription fee and consultation fee.

11. **Property and Equipment**

The composition of and movement on this account follow:

2015

	Land	Machinery and Equipment	Buildings and Warehouse	Office Equipment	Transportation Equipment	Tools and Equipment	Furniture and Fixtures	Assets under Construction	Total
Cost									
At June 1, 2014	**₱152,332,898**	**₱247,883,728**	**₱381,888,013**	**₱10,467,908**	**₱66,115,512**	**₱636,926**	**₱4,018,051**	**₱11,322,491**	**₱874,665,527**
Additions	**7,651,888**	**56,822,924**	**7,180,860**	**1,963,305**	**17,065,899**	**–**	**–**	**72,448,252**	**163,133,128**
Disposal	**–**	**–**	**–**	**–**	**(3,165,342)**	**–**	**–**	**–**	**(3,165,342)**
Transfer	**–**	**–**	**15,933,401**	**–**	**–**	**–**	**–**	**(15,933,401)**	**–**
At May 31, 2015	**159,984,786**	**304,706,652**	**405,002,274**	**12,431,213**	**80,016,069**	**636,926**	**4,018,051**	**67,837,342**	**1,034,633,313**
Accumulated Depreciation									
At June 1, 2014	**–**	**170,514,227**	**191,085,691**	**9,366,849**	**46,953,964**	**493,238**	**3,261,542**	**–**	**421,675,511**
Depreciation (Note 21)	**–**	**22,210,219**	**64,060,769**	**1,074,309**	**7,794,077**	**143,688**	**349,455**	**–**	**95,632,517**
Disposal	**–**	**–**	**–**	**–**	**(3,165,342)**	**–**	**–**	**–**	**(3,165,342)**
At May 31, 2015	**–**	**192,724,446**	**255,146,460**	**10,441,158**	**51,582,699**	**636,926**	**3,610,997**	**–**	**514,142,686**
Net Book Value as of May 31, 2015	**₱159,984,786**	**₱111,982,206**	**₱149,855,814**	**₱1,990,055**	**₱28,433,370**	**₱–**	**₱407,054**	**₱67,837,342**	**₱520,490,627**

2014

	Land	Machinery and Equipment	Buildings and Warehouse	Office Equipment	Transportation Equipment	Tools and Equipment	Furniture and Fixtures	Assets under Construction	Total
Cost									
At June 1, 2013	₱151,177,866	₱231,206,333	₱379,822,151	₱10,245,716	₱55,363,232	₱636,926	₱3,791,751	₱1,998,102	₱834,242,077
Additions	1,155,032	16,677,395	400,000	222,192	11,627,280	–	226,300	10,990,251	41,298,450
Disposal	–	–	–	–	(875,000)	–	–	–	(875,000)
Transfer	–	–	1,665,862	–	–	–	–	(1,665,862)	–
At May 31, 2014	152,332,898	247,883,728	381,888,013	10,467,908	66,115,512	636,926	4,018,051	11,322,491	874,665,527
Accumulated Depreciation									
At June 1, 2013	–	146,330,032	125,349,018	7,321,508	40,830,276	487,050	2,934,402	–	323,252,286
Depreciation (Note 21)	–	24,184,195	65,736,673	2,045,341	6,998,687	6,188	327,140	–	99,298,224
Disposal	–	–	–	–	(874,999)	–	–	–	(874,999)
At May 31, 2014	–	170,514,227	191,085,691	9,366,849	46,953,964	493,238	3,261,542	–	421,675,511
Net Book Value as of May 31, 2014	₱152,332,898	₱77,369,501	₱190,802,322	₱1,101,059	₱19,161,548	₱143,688	₱756,509	₱11,322,491	₱452,990,016

2013

	Land	Machinery and Equipment	Buildings and Warehouse	Office Equipment	Transportation Equipment	Tools and Equipment	Furniture and Fixtures	Assets under Construction	Total
Cost									
At June 1, 2012	₱151,177,866	₱229,521,891	₱279,739,745	₱8,211,924	₱53,681,832	₱636,926	₱3,693,751	₱3,710,914	₱730,374,849
Additions	–	1,684,442	98,369,594	2,033,792	3,091,400	–	98,000	–	105,277,228
Disposal	–	–	–	–	(1,410,000)	–	–	–	(1,410,000)
Transfer	–	–	1,712,812	–	–	–	–	(1,712,812)	–
At May 31, 2013	151,177,866	231,206,333	379,822,151	10,245,716	55,363,232	636,926	3,791,751	1,998,102	834,242,077
Accumulated Depreciation									
At June 1, 2012	–	129,857,889	75,838,818	6,821,371	37,939,819	477,274	2,529,071	–	253,464,242
Depreciation (Note 22)	–	16,472,143	49,510,200	500,137	4,300,457	9,776	405,331	–	71,198,044
Disposal	–	–	–	–	(1,410,000)	–	–	–	(1,410,000)
At May 31, 2013	–	146,330,032	125,349,018	7,321,508	40,830,276	487,050	2,934,402	–	323,252,286
Net Book Value as of May 31, 2013	₱151,177,866	₱84,876,301	₱254,473,133	₱2,924,208	₱14,532,956	₱149,876	₱857,349	₱1,998,102	₱510,989,791

Depreciation charged to cost of sales, operating expenses and ending inventories follows:

	2015	2014	2013
Cost of sales (Note 18)	**₱46,802,758**	₱36,627,244	₱21,030,316
Operating expenses (Note 19)	**41,059,034**	64,658,841	51,507,906
Ending inventories (Note 9)	**11,795,027**	4,024,302	6,012,163
Total	**99,656,819**	105,310,387	78,550,385
Beginning inventories	**(4,024,302)**	(6,012,163)	(7,352,341)
Depreciation	**₱95,632,517**	₱99,298,224	₱71,198,044

Fully depreciated assets, amounting ₱276,581,114, ₱55,001,715 and ₱23,469,159as of May 31, 2015, 2014 and 2013, respectively, are still in active use.

No borrowing costs were capitalized to property and equipment items as construction was financed by internally generated funds.

Property and equipment items that are pledged by the Company as security to short-term notes payable amounted to ₱355,212,281, ₱320,134,462 and ₱270,701,725 in 2015, 2014 and 2013, respectively (Note 15).

12. **Development Costs**

Development costs pertain to costs incurred for the development and further enhancement of the Company's existing and commercially viable hybrid seeds and hybrid corn.

The rollforward analysis of this account follows:

	2015	2014	2013
Cost			
At beginning of year	**₱920,518,290**	₱699,369,956	₱426,440,407
Additions	**160,626,005**	221,148,334	272,929,549
At end of year	**1,081,144,295**	920,518,290	699,369,956
Accumulated Amortization			
At beginning of year	**150,374,829**	139,749,027	127,239,875
Amortization (Note 21)	**10,625,802**	10,625,802	12,509,152
At end of year	**161,000,631**	150,374,829	139,749,027
Net Book Value at End of Year	**₱920,143,664**	₱770,143,461	₱559,620,929

Amortization expense charged to cost of sales, operating expenses and ending inventories follows:

	2015	2014	2013
Cost of sales (Note 18)	**₱9,921,387**	₱8,637,938	₱10,781,467
Operating expense (Note 20)	–	–	1,883,350
Ending inventories (Note 9)	**9,002,392**	8,297,977	6,310,113
Total	**18,923,779**	16,935,915	18,974,930
Beginning inventories	**(8,297,977)**	(6,310,113)	(6,465,778)
Amortization	**₱10,625,802**	₱10,625,802	₱12,509,152

The details of the development costs on a per hybrid seed follow:

2015

	Developed Hybrid Rice Seeds SLs 7, 8, 9 and 11	**Hybrid Rice Seeds Under Development SLs 5, 12, 16, 18 and 19**	**Hybrid Corn**	**Total**
Cost				
At beginning of year	**₱238,412,315**	**₱672,689,217**	**₱9,416,758**	**₱920,518,290**
Additions	**–**	**160,626,005**	**–**	**160,626,005**
At end of year	**238,412,315**	**833,315,222**	**9,416,758**	**1,081,144,295**
Accumulated Amortization				
At beginning of year	**140,958,071**	**–**	**9,416,758**	**150,374,829**
Amortization	**10,625,802**	**–**	**–**	**10,625,802**
At end of year	**151,583,873**	**–**	**9,416,758**	**161,000,631**
Net Book Value at End of Year	**₱86,828,442**	**₱833,315,222**	**₱–**	**₱920,143,664**

2014

	Developed Hybrid Rice Seeds SLs 7, 8, 9 and 11	Hybrid Rice Seeds Under Development SLs 5, 12, 16 and 18	Hybrid Corn	Total
Cost				
At beginning of year	₱238,412,315	₱451,540,883	₱9,416,758	₱699,369,956
Additions	–	221,148,334	–	221,148,334
At end of year	238,412,315	672,689,217	9,416,758	920,518,290
Accumulated Amortization				
At beginning of year	130,332,269	–	9,416,758	139,749,027
Amortization	10,625,802	–	–	10,625,802
At end of year	140,958,071	–	9,416,758	150,374,829
Net Book Value at End of Year	₱97,454,244	₱672,689,217	₱–	₱770,143,461

2013

	Developed Hybrid Rice Seeds SLs 7, 8, 9 and 11	Hybrid Rice Seeds Under Development SLs 5, 12, 16 and 18	Hybrid Corn	Total
Cost				
At beginning of year	₱238,412,315	₱178,611,334	₱9,416,758	₱426,440,407
Additions	–	272,929,549	–	272,929,549
At end of year	238,412,315	451,540,883	9,416,758	699,369,956
Accumulated Amortization				
At beginning of year	119,706,467	–	7,533,408	127,239,875
Amortization	10,625,802	–	1,883,350	12,509,152
At end of year	130,332,269	–	9,416,758	139,749,027
Net Book Value at End of Year	₱108,080,046	₱451,540,883	₱–	₱559,620,929

SLs 5, 11, 12, 16, 18 and 19 are the additional hybrid rice seeds that are under development following the success in breeding SLs 7, 8 and 9. These are all hybrid rice seeds that have been initially determined as viable having been gone through several testing and experimentation stages that stabilized the parental lines. Currently, the Company is preparing for bigger volume of production of parental lines for further enhancement prior to commercial production to make the hybrid seeds tolerant to tropical conditions and it followed the same processes involved in the development and production of SLs 7, 8 and 9.

The more popular commercial rice brands produced from SLs 9 and 7 are Doña Maria Miponica and Doña Maria Jasponica which have a total ending inventory of ₱340,575,000 and ₱658,563,615 during the year.

13. Accounts and Other Payables

This account consists of:

	2015	2014	2013
Trade payables	**₱104,645,354**	₱59,004,646	₱70,169,548
Non-trade payables	**33,516,616**	41,533,527	34,478,008
Accrued expenses	**16,644,168**	6,546,451	9,537,508
Others	**3,221,002**	2,561,849	2,080,976
	₱158,027,140	₱109,646,473	₱116,266,040

Trade payables are payable to suppliers and are noninterest-bearing. The normal trade credit terms of trade payables of the Company are expected to be settled within the next twelve (12) months.

Non-trade payables pertain mainly to financing companies for the lease of vehicles intended to support the Company's operations. Interest rates ranges from 5.00% to 6.00% in 2015, 5.00% to 6.00% in 2014 and 6.00% to 7.00% in 2013 which is payable monthly. Interest expense incurred amounted to ₱2,921,827, ₱3,316,201 and ₱1,822,737 in 2015, 2014 and 2013, respectively (Note 22).

Accrued expenses consist of accrual for bonus and employee welfare benefits.

14. Trust Receipts Payable

This account consists of payables to the following:

	2015	2014	2013
Land Bank of the Philippines	**₱399,965,484**	₱49,943,609	₱46,115,397
Maybank Philippines	**144,355,954**	99,900,348	93,349,218
Philippine Bank of Communications	**71,415,000**	–	–
Banco de Oro	**54,765,254**	40,884,778	52,356,467
Philippine National Bank	**46,982,341**	49,709,254	–
Chinatrust (Philippines) Commercial Bank Corporation	**42,146,163**	8,246,372	44,797,763
China Banking Corporation	**31,971,448**	–	18,288,525
Allied Banking Corporation	–	–	42,479,461
	₱791,601,644	₱248,684,361	₱297,386,831

Proceeds from the availment of trust receipts payable were utilized to procure imported and local raw materials used in production (Note 9).

Interest rates range from 4.50% to 6.00% in 2015, 4.75% to 6.00% in 2014 and 5.50% to 7.00% in 2013. Interest expense incurred amounted to ₱18,789,223, ₱17,027,300 and ₱19,795,567 in 2015, 2014 and 2013, respectively (Note 22).

15. **Short-term Notes Payable**

Short-term notes payable which amounted to ₱2,493,526,576, ₱2,060,041,721 and ₱1,563,269,121 as of May 31, 2015, 2014 and 2013, respectively, represent secured short-term borrowings availed from local banks with prevailing annual market rates ranging from 4.00% to 6.00%, 4.75% to 6.00% and 5.00% to 8.00% in 2015, 2014 and 2013, respectively, with maturity dates ranging from three (3) months to one (1) year. The proceeds from availment of short-term notes payable were used to finance the working capital requirements of the Company.

Total interest expense recognized on these short-term notes payable amounted to ₱114,448,876, ₱97,085,110 and ₱74,381,809 in 2015 , 2014 and 2013, respectively (Note 22).

16. **Equity**

Capital Stock

The details of the number of common shares and the movements thereon follow:

	2015	2014	2013
Authorized shares	**2,000,000,000**	2,000,000,000	2,000,000,000
Par value per share	**₱1**	₱1	₱1
Authorized capital stock	**₱2,000,000,000**	₱2,000,000,000	₱2,000,000,000
Issued and outstanding	**₱710,000,000**	₱710,000,000	₱710,000,000

17. **Revenue**

The analysis of the Company's revenue from sales follows:

	2015	2014	2013
Hybrid seeds	**₱1,789,259,879**	₱833,791,308	₱1,378,957,410
Rice	**945,693,029**	786,049,042	494,488,594
	2,734,952,908	1,619,840,350	1,873,446,004
Less: Sales discounts	**133,431,451**	87,742,836	90,153,997
Sales returns	**554,718,164**	195,928,329	517,858,814
	688,149,615	283,671,165	608,012,811
Net Sales	**₱2,046,803,293**	₱1,336,169,185	₱1,265,433,193

The Company delivers or positions to drop-off in the MAO the municipal requirements of hybrid rice seeds based from the seed matching made with the Municipal/City agriculturist in consultation with the DA-Regional Fields Unit (RFU) and Provincial Local Government Units. The balance of seed cost is collected from the farmer beneficiaries through the MAO.

In 2015, 2014 and 2013, total hybrid seeds sold including agricultural produce to DA amounted to ₱480,723,523, ₱471,433,700 and ₱1,220,535,326, respectively.

18. **Cost of Sales**

This account consists of:

	2015	2014	2013
Fertilizers, seeds and agrichemicals	**₱979,634,150**	₱556,016,837	₱579,993,730
Personnel expenses (Notes 20 and 25)	**107,002,490**	59,921,357	51,301,417
Depreciation and amortization (Notes 11, 12 and 21)	**56,724,145**	45,265,182	31,811,783
Rent (Notes 10 and 29)	**41,152,693**	25,840,157	13,666,535
Transportation	**39,468,296**	19,528,793	23,714,102
Light, water and utilities	**16,437,265**	11,303,143	8,548,704
Repairs and maintenance	**9,324,765**	4,236,164	3,563,100
Security services	**6,726,034**	2,379,669	3,790,998
Taxes and licenses	**1,676,434**	852,808	872,479
Others	**13,748,092**	2,317,257	3,315,432
	₱1,271,894,364	₱727,661,367	₱720,578,280

19. **Operating Expenses**

This account consists of:

	2015	2014	2013
Personnel expenses (Notes 20 and 25)	**₱82,360,796**	₱95,339,425	₱67,390,670
Freight and other selling expenses	**73,339,694**	31,718,855	21,256,538
Depreciation and amortization (Notes 11 and 21)	**41,059,034**	64,658,841	53,391,256
Advertising and promotion	**38,362,036**	17,313,021	7,743,654
Transportation and travel	**25,997,485**	26,652,489	30,161,482
Supplies	**25,379,398**	7,410,733	2,425,654
Taxes and licenses	**25,336,828**	14,323,078	13,711,256
Entertainment, amusement and recreation (EAR)	**11,445,012**	4,841,964	6,176,822
Gas, oil and lubricant	**10,803,742**	17,422,471	12,504,315
Rent (Note 29)	**9,905,733**	8,910,057	6,033,865
Insurance	**9,246,570**	7,023,460	8,461,326
Bank charges	**7,666,225**	713,564	2,013,668
Loss on inventory returns	**6,290,034**	6,886,790	10,800
Repairs and maintenance	**5,396,913**	6,196,686	4,492,711
Contributions and donations	**4,451,187**	687,979	1,369,941
Communication	**3,744,699**	2,931,626	2,271,476
Light, water and utilities	**2,360,332**	3,941,508	2,108,425
Legal and professional fees	**2,269,028**	1,051,651	4,848,037
Training and recruitment	**1,223,493**	1,150,892	1,198,266
Membership dues	**716,258**	1,044,374	487,065
Security services	**360,553**	1,972,910	1,824,871
Commission	**104,613**	4,812,019	242,911
Miscellaneous	**17,181,007**	17,274,950	14,257,719
	₱405,000,670	₱344,279,343	₱264,382,728

Miscellaneous pertains to various expenses incurred by the Company such as bad debts and showroom expenses. In 2015, the Company recognized provision for doubtful accounts and provision for impairment loss amounting ₱3,000,000 and ₱4,000,000, respectively (Note 8).

20. Personnel Expenses

This account consists of:

	2015	2014	2013
Salaries, wages and other benefits	**₱191,190,741**	₱154,505,048	₱109,858,702
Employee welfare	**8,610,107**	6,423,717	6,390,768
Pension expense (Note 25)	**1,980,811**	1,652,973	1,702,396
	₱201,781,659	₱162,581,738	₱117,951,866

Personnel expenses are allocated as follows:

	2015	2014	2013
Cost of sales (Note 18)	**₱107,002,490**	₱59,921,357	₱51,301,417
Operating expenses (Note 19)	**82,360,796**	95,339,425	67,390,670
Ending inventories	**69,981,406**	57,563,034	50,242,078
Total	**259,344,692**	212,823,816	168,934,165
Less: Beginning inventories	**(57,563,033)**	(50,242,078)	(50,982,299)
	₱201,781,659	₱162,581,738	₱117,951,866

21. Depreciation and Amortization

Depreciation and amortization expenses are allocated as follows:

	2015	2014	2013
Cost of sales (Note 18)	**₱56,724,145**	₱45,265,182	₱31,811,783
Operating expenses (Note 19)	**41,059,034**	64,658,841	53,391,256
Ending inventories (Notes 11 and 12)	**20,797,419**	12,322,279	12,322,276
Total	**118,580,598**	122,246,302	97,525,315
Less: Beginning inventories	**(12,322,279)**	(12,322,276)	(13,818,119)
	₱106,258,319	₱109,924,026	₱83,707,196

22. Finance Cost

Finance costs are incurred from the following:

	2015	2014	2013
Short-term notes payable (Note 15)	**₱114,448,876**	₱97,085,110	₱74,381,809
Trust receipts payable (Note 14)	**18,789,223**	17,027,300	19,795,567
Finance lease liability (Note 13)	**2,921,827**	3,316,201	1,822,737
	₱136,159,926	₱117,428,611	₱96,000,113

23. **Income Tax**

Provision for income tax consists of:

	2015	2014	2013
Final tax	**₱53,689**	₱37,443	₱23,428
Current	**–**	515,290	–
	₱53,689	₱552,733	₱23,428

Final taxes are paid at the rate of 20.00% on peso denominated cash in banks, which are final withholding taxes on gross interest income. The current income tax in 2014 represents MCIT.

The Company availed of the tax incentives under its Board of Investment (BOI) registration where it enjoyed ITH status. Accordingly, the Company did not recognize any DTA in 2015, 2014 and 2013 on temporary differences that will not reverse within the ITH period (Note 26). Details of unrecognized NOLCO, MCIT and temporary differences follow:

	2015	2014	2013
Pension liability	**₱13,216,506**	₱11,438,781	₱8,939,797
Allowance for impairment	**12,000,000**	9,000,000	9,000,000
NOLCO	**6,465,323**	6,465,323	–
Provision for impairment loss	**4,000,000**	–	–
MCIT	**515,290**	515,290	–

The Company's NOLCO and excess MCIT can be claimed as additional deductions against future taxable income over a period of three years. Details are as follows:

	Year Incurred	Balance	Year of Expiration
NOLCO	2014	₱6,465,323	2017
MCIT	2014	515,290	2017
		₱6,980,613	

The reconciliation of the provision for income tax computed at the statutory income tax rate to the provision for income tax shown in the statements of comprehensive income follows:

	2015	2014	2013
Statutory income tax rate	**30.00%**	30.00%	30.00%
Tax effects of:			
Nondeductible expenses	**15.90**	17.10	16.03
NOLCO	**–**	0.96	–
MCIT	**–**	0.26	–
Interest income subject to final tax rate	**(0.03)**	(0.01)	(0.02)
Nontaxable fair value loss (gain)	**(2.27)**	(8.27)	0.60
ITH (Note 26)	**(43.58)**	(39.77)	(46.60)
Effective income tax rate	**0.02%**	0.27%	0.01%

Current tax regulations define expenses to be classified as EAR expenses and set a limit for the amount that is deductible for tax purposes. EAR expenses are limited to 0.5% of net sales for sellers of goods or properties or 1% of net revenue for sellers of services. For sellers of both goods or properties and services, an apportionment formula is used in determining the ceiling of such expenses.

24. Basic/Diluted Earnings Per Share

Basic/diluted earnings per share amounts were computed as follows:

	2015	2014	2013
a. Net income attributable to equity holders of the Company	**₱254,413,823**	₱200,939,839	₱180,503,269
b. Number of common shares outstanding	**710,000,000**	710,000,000	710,000,000
c. Earnings per share (a/b)	**₱0.36**	₱0.28	₱0.25

There were no potential dilutive shares in 2015, 2014 and 2013.

25. Retirement Plan

The Company has an unfunded, noncontributory defined benefit type of retirement plan covering substantially all of its employees based on the minimum contribution required by law. The latest retirement valuation report was as of May 31, 2015.

The following tables summarize the components of the pension expense recognized in the statements of comprehensive income and amounts recognized in the Company statements of financial position for the retirement plan.

Based on the actuarial valuation as of May 31, 2015 computed using the PUC method, the Company's pension liability and expenses are summarized as follows:

	May 31		
	2015	2014	2013
Pension expense (Note 20)	**₱1,980,811**	₱1,652,973	₱1,702,396
Pension liability	**13,216,506**	11,438,781	8,939,797

Components of pension expense in profit or loss follow:

	2015	2014	2013
Current service cost	**₱1,390,570**	₱1,071,886	₱1,231,965
Net interest cost on defined benefit obligation	**590,241**	581,087	470,431
Total pension expense	**₱1,980,811**	₱1,652,973	₱1,702,396

The movements in the net pension liability follow:

	May 31		
	2015	2014	2013
At beginning of year	**₱11,438,781**	₱8,939,797	₱7,237,401
Net pension expense	**1,980,811**	1,652,973	1,702,396
Amount to be recognized in OCI	**(203,086)**	846,011	–
At end of the year	**₱13,216,506**	₱11,438,781	₱8,939,797

Movement of cumulative remeasurement effect recognized in OCI:

	May 31		
	2015	2014	2013
Balance at beginning of year	**(₱3,721,711)**	(₱2,875,700)	(₱2,875,700)
Additional actuarial gains (losses) from plan obligation	**203,086**	(846,011)	–
Balance at end of year	**(₱3,518,625)**	(₱3,721,711)	(₱2,875,700)

The reconciliation of the present value of the defined benefit obligation follows:

	May 31,		
	2015	2014	2013
Balance at beginning of year	**₱11,438,781**	₱8,939,797	₱7,237,401
Current service cost	**1,390,570**	1,071,886	1,231,965
Interest cost	**590,241**	581,087	470,431
Actuarial loss (gain)	**(203,086)**	846,011	–
Balance at end of year	**₱13,216,506**	₱11,438,781	₱8,939,797

The assumptions used to determine pension benefits of the Company follow:

	2015	2014	2013
Discount rates	**4.73%**	5.16%	6.50%
Salary rate increase	**5.00%**	5.00%	5.00%

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

		Amount of present value of obligation
Discount rate	6.16%	₱9,894,997
	4.16%	13,328,010
Salary rate	6.00%	13,224,517
	4.00%	9,927,709

26. Registration with the Board of Investment (BOI)

On November 14, 2007, the BOI approved the Company's application for registration as non-pioneer producer of milled (hybrid) rice with a capacity of 26,661 metric tons per year. Under this registration, the Company is entitled to the following incentives: (a) ITH of four (4) years from November 2007 or actual start of commercial operations whichever is earlier; (b) additional deduction for incremental labor expense; (c) tax and duty free importation of capital equipment; (d) tax credit for taxes and duties paid on raw materials; (e) unrestricted use of consigned equipment items; and (f) duty free importation of inputs, machinery and equipment items. The Company availed the two years extension of its ITH as non-pioneer producer of milled (hybrid) rice that expired last November 13, 2013.

On February 21, 2014, BOI approved the Company's registration as new producer of milled (hybrid) rice and by-products (broken rice and rice bran) from March 1, 2014 to February 28, 2018 on a non-pioneer status.

On January 13, 2009 and February 6, 2009, the Company was registered with the BOI as a new producer of hybrid rice seeds in Kalinga and Davao Oriental, respectively, on a pioneer status.

Under the terms of the registration and subject to certain requirements, the Company is entitled to the following fiscal and nonfiscal incentives: (a) ITH for a period of six (6) years from March 2009 for Kalinga and April 2009 for Davao Oriental, or actual start of commercial operations, whichever is earlier; (b) for the first five (5) years from the date of registration, the Company shall be allowed an additional deduction from taxable income of fifty percent (50%) of the wages corresponding to the increment labor expense; (c) tax credit on taxes and duties paid on raw materials and supplies and semi-manufactured products used in producing its export product and forming part thereof for a period of ten (10) years from date of registration; (d) importation of consigned equipment for a period of ten (10) years from date of registration; (e) employment of foreign nationals; (f) exemption from wharf age dues, any export tax, duties, imposts and fees for a ten (10)-year period from date of registration; (g) access to Customs Bonded Manufacturing Warehouse (CBMW) subject to customs rules and regulations provided that the Company exports at least 70% of production; (h) exemption from taxes and duties on imported spare parts and supplies for export producers with CBMW exporting at least 70% of production; and (i) simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies.

27. Financial Risk Management Objectives and Policies

The BOD approves the Company's risk management policies and meets regularly to approve any commercial, regulatory and organizational requirements of such policies. These policies define the Company's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets and to specify reporting requirements.

<u>Governance Framework</u>
The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognizes the critical importance of having efficient and effective risk management systems in place.

The Company's principal financial instruments consist of cash, receivables, security deposits, trust receipts payable and notes payable. The main purpose of these financial instruments is to fund the Company's operations. The Company has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

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

Liquidity risk
Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk exposure arises from inability of the Company to sell financial assets quickly at their fair values; or counterparty failing on repayment of a contractual obligation; or inability to generate cash inflows as anticipated.
The Company maintains a level of cash deemed sufficient to finance operations. As part of its liquidity risk management, the Company regularly evaluates its projected and actual cash flows. To cover financing requirements, the Company intends to use internally generated funds and credit facilities with local banks. The Company also manages liquidity through an assessment of the minimum amount of funds needed to meet operating and investment requirements; specifying the sources of funding; and periodic reporting and review of the credit facilities made available to the Company. The Company's policy is to maintain a level of cash that is sufficient to fund its monthly cash requirements, at least for the next four (4) to six (6) months. Capital expenditures are funded through a mix of suppliers' credit, letters of credit and long-term debt, while operating expenses and working capital requirements are sufficiently funded through cash collections and short-term debt.

Surplus funds are placed with reputable banks.

The table below summarizes the maturity profile of financial instruments based on contractual undiscounted payments as of May 31, 2015, 2014 and 2013.

2015

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Loans and receivables					
Cash	**₱291,206,938**	**₱–**	**₱–**	**₱–**	**₱291,206,938**
Receivables	**1,482,943,562**	**1,660,100**	**690,715**	–	**1,485,294,377**
Security deposits	–	–	–	**7,089,348**	**7,089,348**
	₱1,774,150,500	**₱1,660,100**	**₱690,715**	**₱7,089,348**	**₱1,783,590,663**
Other financial liabilities					
Accounts and other payables*	**₱155,323,622**	**₱–**	**₱–**	**₱–**	**₱155,323,622**
Trust receipts payable	–	**514,044,552**	**277,557,092**	–	**791,601,644**
Short-term notes payable	–	**973,056,968**	**1,520,469,608**	–	**2,493,526,576**
	₱155,323,622	**₱1,487,101,520**	**₱1,798,026,700**	**₱–**	**₱3,440,451,842**

**Excluding statutory liabilities amounting ₱2,703,518*

2014

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Loans and receivables					
Cash	₱107,308,358	₱–	₱–	₱–	₱107,308,358
Receivables	1,015,160,705	1,703,935	252,960	–	1,017,117,600
Security deposits	–	–	–	1,498,288	1,498,288
	₱1,122,469,063	₱1,703,935	₱252,960	₱1,498,288	₱1,125,924,246
Other financial liabilities					
Accounts and other payables*	₱107,609,169	₱–	₱–	₱–	₱107,609,169
Trust receipts payable	–	211,164,238	37,520,123	–	248,684,361
Short-term notes payable	–	750,486,721	1,309,555,000	–	2,060,041,721
	₱107,609,169	₱961,650,959	₱1,347,075,123	₱–	₱2,416,335,251

**Excluding statutory liabilities amounting ₱2,037,304*

2013

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Loans and receivables					
Cash	₱278,089,709	₱–	₱–	₱–	₱278,089,709
Receivables	–	854,980,661	1,559,692	252,960	856,793,313
Security deposits	–	–	–	1,133,215	1,133,215
	₱278,089,709	₱854,980,661	₱1,559,692	₱1,386,175	₱1,136,016,237
Other financial liabilities					
Accounts and other payables*	₱114,900,767	₱–	₱–	₱–	₱114,900,767
Trust receipts payable	–	219,722,245	77,664,586	–	297,386,831
Short-term notes payable	–	476,593,043	1,086,676,078	–	1,563,269,121
	₱114,900,767	₱696,315,288	₱1,164,340,664	₱–	₱1,975,556,719

**Excluding statutory liabilities amounting ₱1,365,273*

Credit Lines

The Company has various open credit lines with different financial institutions as of May 31, 2015, 2014 and 2013 (Notes 13, 14, and 15).

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's credit risk arises from the possibility of asset impairment occurring because counterparties cannot meet their obligation in transactions involving financial assets.

To manage credit risk, the Company trades only with recognized and creditworthy third parties. The Company has a well-defined credit policy and established credit procedures. All customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. The Company sets the maximum amounts and limits that may be advanced and placed with individual or corporate counterparties which are set by reference to their long-term ratings.

The credit risk is concentrated to the following counterparties:

	2015	2014	2013
Retail Stores	**60.00%**	63.00%	77.00%
MAO	**15.00**	30.00	18.00
DA-RFU	**15.00**	2.00	1.00
Others	**10.00**	5.00	4.00
Total	**100.00%**	100.00%	100.00%

The table below shows the gross maximum exposure of the Company to credit risk for the components of its statements of financial position as of May 31, 2015, 2014 and 2013.

	2015	2014	2013
Loans and receivables			
Cash			
Cash in banks	**₱288,690,000**	₱105,237,686	₱278,089,709
Receivables			
Trade	**1,447,843,500**	993,104,370	832,455,506
Receivables from employees	**7,429,529**	20,399,020	13,090,344
Non-trade	**46,021,348**	12,614,210	20,247,462
Security deposits	**7,089,348**	1,498,288	1,133,215
Total	**₱1,797,073,725**	₱1,132,853,574	₱1,145,016,236

The table below summarizes the credit quality of the Company's financial assets as of May 31, 2015, 2014 and 2013:

2015

	Neither past due nor impaired			**Past due or**	
	Low Risk	**Average Risk**	**High Risk**	**Impaired**	**Total**
Cash (excluding cash on hand amounting ₱2,516,938)	**₱288,690,000**	**₱–**	**₱–**	**₱–**	**₱288,690,000**
Receivables					
Trade	**1,433,492,685**	**–**	**–**	**14,350,815**	**1,447,843,500**
Receivables from employees	**7,429,529**	**–**	**–**	**–**	**7,429,529**
Non-trade	**42,021,348**	**–**	**–**	**4,000,000**	**46,021,348**
Security deposits	**7,089,348**	**–**	**–**	**–**	**7,089,348**
	₱1,778,722,910	**₱–**	**₱–**	**₱18,350,815**	**₱1,797,073,725**

2014

	Neither past due nor impaired			Past due or	
	Low Risk	Average Risk	High Risk	Impaired	Total
Cash (excluding cash on hand amounting ₱2,070,672)	₱105,237,686	₱–	₱–	₱–	₱105,237,686
Receivables					
Trade	982,400,435	–	–	10,703,935	993,104,370
Receivables from employees	20,399,020	–	–	–	20,399,020
Non-trade	12,361,250	–	–	252,960	12,614,210
Security deposits	1,498,288	–	–	–	1,498,288
	₱1,121,896,679	₱–	₱–	₱10,956,895	₱1,132,853,574

2013

	Neither past due nor impaired			Past due or individually impaired	
	Low Risk	Average Risk	High Risk		Total
Cash (excluding cash on hand amounting ₱1,629,166)	₱278,089,709	₱–	₱–	₱–	₱278,089,709
Receivables					
Trade	821,895,814	–	–	10,559,692	832,455,506
Receivables from employees	13,090,345	–	–	–	13,090,345
Non-trade	19,994,502	–	–	252,960	20,247,462
Security deposits	1,133,215	–	–	–	1,133,215
	₱1,134,203,585	₱–	₱–	₱10,812,652	₱1,145,016,237

The Company classifies credit quality as follows:

Low risk - credit can proceed with normal credit terms and counterparty possesses strong to very strong capacity to meet its obligation.

Average risk - credit can proceed with extended credit terms and counterparty possesses strong capacity to meet its obligation, however, adverse economic conditions or changing circumstances are more likely to lead a weakened capacity of the obligor to meet its financial commitment on the obligation.

High risk - transaction should be under advance payment or confirmed and irrevocable stand-by letters of credit and subject to quarterly review for possible upgrade after one year. Counterparty will likely impair the capacity or willingness to meet financial commitment on the obligation on adverse economic conditions or changing circumstances.

The Company recognizes impairment losses based on the results of the specific/individual and collective assessment of its credit exposures. Impairment has taken place when there is a presence of known difficulties in the servicing of cash flows by counterparties, infringement of the original terms of the contract has happened, or when there is an inability to pay principal or interest overdue beyond a certain threshold. These and the other factors, either singly or in tandem with other factors, constitute observable events and/or data that meet the definition of an objective evidence of impairment.

The two (2) methodologies applied by the Company in assessing and measuring impairment include: (1) specific/individual assessment and (2) collective assessment.

Under specific/individual assessment, the Company assesses each individually significant credit exposure for any objective evidence of impairment, and where such evidence exists, accordingly calculates the required impairment. Among the items and factors considered by the Company when assessing and measuring specific impairment allowances are: (a) the timing of the expected cash flows; (b) the projected receipts or expected cash flows; (c) the going concern of the counterparty's business; (d) the ability of the counterparty to repay its obligations during financial crises; (e) the availability of other sources of financial support; and (f) the existing realizable value of collateral. The impairment allowances, if any, are evaluated as the need arises, in view of favorable or unfavorable developments.

With regard to the collective assessment of impairment, allowances are assessed collectively for losses on receivables that are not individually significant and for individually significant receivables when there is no apparent evidence or not yet objective of individual impairment. A particular portfolio is reviewed on a periodic basis, in order to determine its corresponding appropriate allowances. The collective assessment evaluates and estimates the impairment of the portfolio in its entirety even though there is no objective evidence of impairment on an individual assessment. Impairment losses are estimated by taking into consideration the following deterministic information: (a) historical losses/write offs; (b) losses which are likely to occur but has not yet occurred; and (c) the expected receipts and recoveries once impaired.

Credit Terms

Hybrid rice subsidies are paid upon presentation of Municipal Transfer Receipt and farmer master list to DA. Hybrid seed equities and subsidies are generally payable in one cropping season or six (6) months while rice produce is paid within sixty (60) to ninety (90) days.

Interest rate risk

The Company's exposure to market risk for changes in interest rates relates primarily to its notes payable with interest rates subject to regular repricing. The Company's policy is to obtain the most favorable interest rates available without increasing its foreign currency exposure and to manage its interest cost using a mix of fixed and variable rate debt.

As of May 31, 2015 and 2014, trust receipts payable and short-term notes payable are subject to short-term (i.e., monthly, semi-annual) repricing.

Foreign currency risk
Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's foreign currency risk exposure arises from sales in currencies other than the Company's functional currency.

The Company manages its foreign exchange exposure risk by matching, as far as possible, receipts and payments in each individual currency. In addition, the Company believes that its profile of foreign currency exposure on its assets and liabilities is within conservative limits in the type of business in which the Company is engaged.

It is the Company's policy not to trade in derivatives contracts.

Information on the Company's foreign currency-denominated financial assets and liabilities and their Philippine Peso equivalents are as follows:

	2015		2014		2013	
	In US Dollar[1]	**In Philippine Peso**	In US Dollar[2]	In Philippine Peso	In US Dollar[3]	In Philippine Peso
Financial Assets						
Cash	**$46,551**	**₱2,075,243**	$191,045	₱8,360,129	$18,703	₱790,389
Trade receivables	**106,453**	**4,745,675**	156,400	6,844,064	15,385	650,170
Total Financial Assets	**$153,004**	**₱6,820,918**	$347,445	₱15,204,193	$34,088	₱1,440,559
Financial Liability						
Trade payables	**$409,529**	**₱18,256,803**	$346,406	₱15,158,726	$10,766	₱454,971
Net foreign currency denominated assets (liability)	**($256,525)**	**(₱11,435,885)**	$1,039	₱45,467	$23,322.	₱985,588

[1] *The exchange rate used was ₱44.59 to US$1.00*
[2] *The exchange rate used was ₱43.76 to US$1.00*
[3] *The exchange rate used was ₱42.26 to US$1.00*

The Company's US Dollar denominated sales approximates 4.50%, 9.70% and 11.80% in 2015, 2014 and 2013, respectively. Significant movements of Philippine Peso against US Dollar can affect results of operation.

Sensitivity analysis
The following table demonstrates sensitivity to a reasonably possible change in the Philippine Peso exchange rate, with all other variables held constant, of the Company's income before income tax (due to changes in the fair value of financial assets and liabilities) as at May 31, 2015, and 2014. The increase in Philippine Peso rate as against other currencies demonstrates weaker functional currency while the decrease represents stronger Philippine Peso value.

	Currency	Increase (decrease) in Philippine Peso/ Foreign exchange rate	Effect on profit before tax
2015	**USD**	**+2%**	**(₱228,769)**
		-2%	**228,769**
2014	USD	+4%	₱1,818
		-4%	(1,818)
2013	USD	+3%	₱29,666
		-3%	(29,666)

The Company determined the reasonably possible change in foreign currency using the three (3) years volatility of USD to Philippine Peso.

There is no other impact on the Company's equity other than those already affecting the income.

The Company recognized (₱1,174,541), ₱1,038,026 and ₱435,847 foreign exchange losses (gains) in 2015, 2014 and 2013, respectively, arising from the translation of the Company's cash, trade receivables and trade payables.

Price risk on biological assets and agricultural produce
The Company is exposed to risks arising from changes in prices of hybrid rice seeds and milled rice. The Company does not anticipate that hybrid rice seeds and milled rice will decline significantly in the foreseeable future and, therefore, has not entered into derivative or other contracts to manage the risk of a decline in market prices. The Company reviews its outlook for market prices regularly in considering the need for active financial risk management.

Risk management related to agricultural activity
The Company is exposed to farming risk arising from climatic changes, diseases and other natural risks such as fire, flooding and storms and human-induced losses arising from strike and malicious damage.

The Company does not anticipate that agricultural products will decline significantly in the foreseeable future and therefore, has not entered into derivative or other contracts to manage the risk of decline in market prices. The Company reviews its outlook for market prices regularly in considering the need for active financial risk management.

Agricultural activity covers wet and dry cropping seasons from months of June to November and December to May, respectively.

Fair Values
Financial instruments and liabilities are recognized initially at cost which is the fair value of the consideration given (in case of the asset) or received in (in case of liability). Subsequent to initial recognition, assets and liabilities are either valued at amortized cost using effective interest rate method or at fair value depending on their classification.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value.

- Due to the short-term nature of the transactions, the carrying amounts of cash, receivables, accounts and other payables, trust receipt payable and short-term notes payable approximate their fair values.

Fair value hierarchy
The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As of May 31, 2015, 2014 and 2013, the Company has no financial asset and liability measured at fair value.

During the fiscal years ended May 31, 2015, 2014 and 2013, there are no transfers between levels 1, 2 and 3.

Capital Management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the shareholders may infuse additional capital or the Company may adjust the dividend payment to shareholders. The capital comes mainly from contributions of shareholders.

The Company considers its capital as follows:

	2015	2014	2013
Capital stock	**₱710,000,000**	₱710,000,000	₱710,000,000
Retained earnings:	**784,613,576**	530,199,753	329,259,914
Other comprehensive loss	**(3,518,625)**	(3,721,711)	(2,875,700)
	₱1,491,094,951	₱1,236,478,042	₱1,036,384,214

The Company is not subject to externally imposed capital requirements.

28. **Related Party Transactions**

Transactions between related parties are based on terms similar to those offered to nonrelated parties. Related party transactions are made under the normal course of business. Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions; and the parties are subject to common control. Related parties may be individuals or corporate entities (referred herein as affiliates).

The Company has noninterest-bearing receivables from (payable to) affiliates arising from the normal course of operations.

Amounts receivable from and payable to related parties as of May 31 follow:

2015

	Relationship	Transaction	Amount	Outstanding Balance	Terms	Conditions
Mica-GeneroAbundans Foundation, Inc. (MAGAFI)	Entity under common control	Sales	**₱13,125,700**	**₱–**	On demand	Unsecured; noninterest-bearing
DM Rice Surprise	Entity under common control	Advances	**1,996,704**	**–**	On demand	Unsecured; noninterest-bearing
Central Bookstore	Entity under common control	Purchases	**265,233**	**–**	On demand	Unsecured;
Mart One	Entity under common control	Sales	**263,836**	**–**	On demand	Unsecured; noninterest-bearing
			₱15,651,473	**₱–**		

2014

	Relationship	Transaction	Amount	Outstanding Balance	Terms	Conditions
Mica-GeneroAbundans Foundation, Inc. (MAGAFI)	Entity under common control	Sales	₱16,261,140	₱–	On demand	Unsecured; noninterest-bearing
DM Rice Surprise	Entity under common control	Advances	1,922,400	–	On demand	Unsecured; noninterest-bearing
Central Bookstore	Entity under common control	Purchases	241,516	–	On demand	Unsecured;
Mart One	Entity under common control	Sales	48,760	–	On demand	Unsecured; noninterest-bearing
			₱18,473,816	₱–		

2013

	Relationship	Transaction	Amount	Outstanding Balance	Terms	Conditions
Mica-Genero Abundans Foundation, Inc. (MAGAFI)	Entity under common control	Sales	₱8,661,750	₱–	On demand	Unsecured; noninterest-bearing
Mart One	Entity under common control	Sales	587,412	–	On demand	Unsecured; noninterest-bearing
Central Bookstore	Entity under common control	Purchases	(1,630,968)	–	On demand	Unsecured;
DM Rice Surprise	Entity under common control	Advances	4,837,510	–	On demand	Unsecured; noninterest-bearing
			₱12,455,704	₱–		

The Company has a legally enforceable right to set off the recognized amounts and intends to settle on a net basis. The net receivable from related parties shown in the statements of financial position amounted to nil as of May 31, 2015, 2014 and 2013.

Compensation of key management personnel
Key management personnel of the Company include all officers with rank of Vice-President for Quality Assurance and Senior Vice-President for Finance.
The summary of compensation of key management personnel included under Operating expenses account in the statements of comprehensive income follows:

	2015	2014	2013
Salaries and other short-term employee benefits	**₱5,312,469**	₱4,829,517	₱4,390,470
Pension expense	**1,305,651**	1,068,260	971,145
	₱6,618,120	₱5,897,777	₱5,361,615

Terms and conditions of transactions with related parties
The Company has not recognized any impairment losses on amounts due from related parties for the years ended May 31, 2015, 2014 and 2013. This assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates. The Company act as surety for obligations arising from or in connection with the credit accommodations extended to the Company's affiliates by various financial institutions. In return, the affiliates authorized the Company to mortgage, pledge and assign the affiliates' assets as collateral/security to the loans the Company borrowed from financial institutions.

29. Commitments

Land lease agreements
In 2015, 2014 and 2013, the Company entered into various farm management agreements which cover the lease of approximately 490 hectares of agricultural lands for the production of hybrid rice palay/seeds in Laguna and Davao Oriental. The lease term ranges from one (1) cropping season to six (6) cropping seasons. The monthly rent payment on these operating lease ranges from ₱20,000 to ₱28,000 per hectare per cropping season.

The minimum aggregate rental commitments under these operating leases follow:

	2015	2014	2013
Within one (1) year	**₱9,250,000**	₱7,350,000	₱2,308,523
After one (1) year but not more than five (5) years	**4,500,000**	4,900,000	1,905,381
	₱13,750,000	₱12,250,000	₱4,213,904

Contract growing agreements
The Company has various contractual commitments with contract growers to buyback all hybrid rice palay and hybrid rice seeds produced by the latter. Contract terms entered ranges from six (6) months to three (3) years or one (1) cropping season to six (6) cropping seasons. Under the MOA, the Company is obliged and has the sole and exclusive right to:

a. Provide 30-35 kilos of parental seeds per hectare, agricultural chemical, and needed number of sacks, free of charge;

b. Provide technical assistance and supports, free of charge, to contract growers;

c. Provide mechanical drying and cleaning facilities to contract grower at ₱2.00 per kilo based on dried and cleaned seeds which will be charged to the contract grower; and

d. Buyback all the SL-8H, SL-7H and SL-9H seeds produced by contract grower at the contracted area(s) at ₱70 to ₱80 per kilo.

Under the MOA, the Company shall pay the contract buyer within 30 days after the release of moisture content seed analysis results for seeds.

30. Approval of Financial Statements

The accompanying financial statements of the Company were authorized for issue by the BOD on August 4, 2015.

31. Events After Reporting Date

On June 10, 2015, the Company's Board of Directors approved the declaration of stock dividends of One Hundred Million Pesos (₱100,000,000) payable on August 6, 2015 to the Company's shareholders of record as of June 10, 2015.

32. Supplementary Information Required Under Revenue Regulations 15-2010

The Company reported and/or paid the following types of taxes for the year:

Value-Added Tax (VAT)
The NIRC of 1997 provides for the imposition of VAT on sales of goods and services. Accordingly, the Company's sales are VAT exempt under NIRC section 109 (not subject to output VAT) while its importations and purchases from other VAT-registered individuals or corporations are subject to input VAT. The VAT rate is 12%.

The Company is VAT exempt. Sales amounting ₱2,046,803,293 for the year ended May 31, 2015 pursuant to the provisions of NIRC Section 109 are not subject to VAT.

Withholding Taxes
Details of withholding taxes for the year ended May 31, 2015 follows:

Expanded withholding taxes	₱5,913,871
Withholding taxes on compensation and benefits	4,350,653
	₱10,264,524

Other Taxes and Licenses
This includes all other taxes, local and national, including real estate taxes, license and permit fees, fringe benefits taxes and documentary stamp taxes (DST) lodged under the caption "Taxes and Licenses" account under the "Cost of Sales" and "Operating Expenses" sections in the statements of comprehensive income:

Details consist of the following:

Cost of sales:	
License and permits fees	₱563,545
Real estate taxes	648,212
Others	464,677
	1,676,434
Operating expenses:	
DST	12,067,102
Real estate taxes	331,719
License and permits fees	2,141,468
Others	10,796,539
	25,336,828
	₱27,013,262

DST paid/accrued on the following transactions are:

Transactions	Amount	DST Thereon
Loan instruments	₱1,810,065,400	₱9,050,327
Trust receipts	603,355,000	3,016,775
	₱2,413,420,400	₱12,067,102

Tax Assessments and Cases
The Company has not been involved in any tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the Bureau of Internal Revenue.