COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A 2 0 0 0 1 3 1 5 7

COMPANY NAME

SL AGRITECH CORPORATION

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

Sterling Place Building, 2302
Chino Roces Avenue Extension,
Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
slac@sterlingpaper.com	813-7828	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
8	Any day in March	May 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Catalina Galura	lina_galura@yahoo.com	813-7828	N/A

CONTACT PERSON's ADDRESS

Sterling Place Building, 2302 Chino Roces Avenue Extension, Makati City

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*
2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

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1226 Makati City
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BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
SL Agritech Corporation
Sterling Place Building
2302 Chino Roces Avenue Extension
Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SL Agritech Corporation (the Company), which comprise the statements of financial position as at May 31, 2017 and 2016, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended May 31, 2017, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2017 and 2016, and its financial performance and its cash flows for each of the three years in the period ended May 31, 2017 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

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

Impairment Testing of Development Costs
Under Philippine Accounting Standard (PAS) 36, *Impairment of Assets*, the Company is required to perform annual impairment test on intangible assets that are not yet available for use. As of May 31, 2017, the Company has capitalized costs for the ongoing development of hybrid seeds variety amounting to ₱905.79 million, which represents 11% of the Company's total assets. The impairment test for development costs is a key audit matter because of the significant management judgment and estimations involved in determining the recoverable amount and complexity of the estimation process, sensitivity of the key estimations to assumptions such as probability of success, appropriate discount rate, estimated volume of sales and market price.

The disclosures in relation to development costs are included in Notes 5 and 12 to the financial statements.

Audit Response
We performed an understanding of the management's process in estimating the recoverable amount of development costs. We involved our internal specialist in evaluating the methodology used by the Company and in assessing the reasonableness of the key assumptions used in the estimated cash flows for each seed variety undergoing development. We compared key assumptions such as the probability of success and estimated volume of sales against historical experience of the Company. We tested the parameters used in the determination of the discount rate against market data. We also tested the sensitivity of the present value of discounted cash flows to changes in assumptions used such as probability of success, discount rate and market price.

Fair Value Measurement of Biological Assets
As of May 31, 2017, the fair value of the Company's biological assets amounted to ₱48.53 million. The fair value measurement of biological assets is significant to our audit because of the significant management judgment involved, complexity of the estimation process and sensitivity of the estimations to assumptions that can be affected by natural phenomena. The key assumptions for the fair value of produce prior to harvest include future selling prices, estimated volume of harvests and future growing costs.

The disclosures in relation to biological assets are included in Notes 5 and 13 to the financial statements.

Audit Response
We performed an understanding of the management's process in the fair value measurement of biological assets. We involved our internal specialist in evaluating the methodology used by the Company and in assessing the reasonableness of the key assumptions used for its fair valuation. We compared the key assumptions used such as future selling prices, estimated volume of harvests and future growing costs against historical experience of the Company.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 17-A for the fiscal year ended May 31, 2017, but does not include the financial statements and our auditor's report thereon. The SEC Form 17-A for the fiscal year ended May 31, 2017 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

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

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

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

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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 purposes 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.

The engagement partner on the audit resulting in this independent auditor's report is Jennifer D. Ticlao.

SYCIP GORRES VELAYO & CO.

Jennifer D. Ticlao

Jennifer D. Ticlao
Partner
CPA Certificate No. 109616
SEC Accreditation No. 1507-A (Group A),
September 24, 2015, valid until September 23, 2018
Tax Identification No. 245-571-753
BIR Accreditation No. 08-001998-110-2015,
March 4, 2015, valid until March 3, 2018
PTR No. 5908768, January 3, 2017, Makati City

September 9, 2017

SL AGRITECH CORPORATION
STATEMENTS OF FINANCIAL POSITION

	May 31	
	2017	2016
ASSETS		
Current Assets		
Cash (Notes 7 and 28)	**₱241,765,185**	₱346,006,634
Receivables (Notes 8 and 28)	**2,868,450,804**	2,046,115,560
Inventories (Note 9)	**2,572,852,779**	2,598,422,936
Biological assets (Note 13)	**48,533,184**	12,950,147
Prepayments and other current assets (Note 10)	**65,128,302**	52,441,877
Total Current Assets	**5,796,730,254**	5,055,937,154
Noncurrent Assets		
Property and equipment (Note 11)	**1,089,420,608**	643,201,577
Development costs (Note 12)	**1,300,478,026**	1,307,518,047
Security deposits (Note 28)	**8,620,959**	9,983,636
Deferred tax asset (Note 24)	**971,196**	–
Other noncurrent assets (Notes 10 and 30)	**224,781,294**	7,334,436
Total Noncurrent Assets	**2,624,272,083**	1,968,037,696
	₱8,421,002,337	₱7,023,974,850
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 14 and 28)	**₱267,899,294**	₱182,180,736
Trust receipts payable (Notes 9, 15 and 28)	**573,592,825**	669,126,206
Short-term debt (Notes 9, 11, 16 and 28)	**5,084,714,022**	4,207,365,323
Deposit for future stocks subscription (Note 17)	**17,500,000**	–
Total Current Liabilities	**5,943,706,141**	5,058,672,265
Noncurrent Liabilities		
Pension liability (Note 26)	**20,250,887**	10,674,781
Deferred tax liability (Note 24)	**–**	1,362,609
Total Noncurrent Liabilities	**20,250,887**	12,037,390
Total Liabilities	**5,963,957,028**	5,070,709,655
Equity		
Capital stock (Note 17)	**1,160,000,001**	810,000,001
Stock dividend distributable (Note 17)	**625,000,000**	–
Retained earnings (Note 17)	**677,830,059**	1,143,604,399
Remeasurement losses on pension liability (Note 26)	**(5,784,751)**	(339,205)
	2,457,045,309	1,953,265,195
	₱8,421,002,337	₱7,023,974,850

See accompanying Notes to Financial Statements.

SL AGRITECH CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended May 31		
	2017	2016	2015
NET SALES (Note 18)	**₱3,336,750,855**	₱2,552,208,495	₱2,046,803,293
COST OF SALES (Notes 9 and 19)	**2,179,021,887**	1,528,159,216	1,271,894,364
GROSS PROFIT	**1,157,728,968**	1,024,049,279	774,908,929
FAIR VALUE GAIN ON AGRICULTURAL PRODUCE AND BIOLOGICAL ASSETS (Notes 9 and 13)	**155,929,466**	69,712,034	19,276,194
OPERATING EXPENSES (Note 20)	**(527,765,220)**	(457,250,254)	(405,000,670)
FINANCE COST (Note 23)	**(283,522,929)**	(182,580,810)	(136,159,926)
FINANCE INCOME (Note 7)	**1,345,465**	541,911	268,444
FOREIGN EXCHANGE GAINS	**6,489,659**	4,627,046	1,174,541
INCOME BEFORE TAX	**510,205,409**	459,099,206	254,467,512
PROVISION FOR TAX (Note 24)	**979,749**	108,383	53,689
NET INCOME	**509,225,660**	458,990,823	254,413,823
OTHER COMPREHENSIVE INCOME			
Other comprehensive income (losses) not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gains (losses) on pension liability (Note 26) – *net of tax*	**(5,445,546)**	3,179,420	203,086
TOTAL COMPREHENSIVE INCOME	**₱503,780,114**	₱462,170,243	₱254,616,909
BASIC/DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY (Note 25)	**₱0.44**	₱0.40	₱0.22

See accompanying Notes to Financial Statements.

SL AGRITECH CORPORATION
STATEMENTS OF CHANGES IN EQUITY

	For the Year Ended May 31, 2017				
	Capital Stock (Note 17)	**Stock Dividends Distributable** (Note 17)	**Retained Earnings** (Note 17)	**Remeasurement Loss on Pension Liability** (Note 26)	**Total**
Balances at June 1, 2016	**₱810,000,001**	**₱–**	**1,143,604,399**	**(₱339,205)**	**₱1,953,265,195**
Net income	**–**	**–**	**509,225,660**	**–**	**509,225,660**
Other comprehensive income	**–**	**–**	**–**	**(5,445,546)**	**(5,445,546)**
Total comprehensive income	**–**		**509,225,660**	**(5,445,546)**	**503,780,114**
Issuance of stocks dividends	**350,000,000**		**(350,000,000)**	**–**	**–**
Stock Dividends Distributable		**625,000,000**	**(625,000,000)**		
Balances at the end of the year	**₱1,160,000,001**	**₱625,000,000**	**₱677,830,059**	**(₱5,784,751)**	**₱2,457,045,309**

	For the Year Ended May 31, 2016			
	Capital Stock (Note 17)	Retained Earnings (Note 17)	Remeasurement Loss on Pension Liability (Note 26)	Total
Balances at June 1, 2015	₱710,000,000	₱784,613,576	(₱3,518,625)	₱1,491,094,951
Net income	–	458,990,823	–	458,990,823
Other comprehensive income	–	–	3,179,420	3,179,420
Total comprehensive income	–	458,990,823	3,179,420	462,170,243
Issuance of stocks dividends	100,000,000	(100,000,000)	–	–
Issuance of shares of stock	1	–	–	1
Balances at the end of the year	₱810,000,001	₱1,143,604,399	(₱339,205)	₱1,953,265,195

	For the Year Ended May 31, 2015			
	Capital Stock (Note 17)	Retained Earnings (Note 17)	Remeasurement Loss on Pension Liability (Note 26)	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

See accompanying Notes to Financial Statements.

SL AGRITECH CORPORATION
STATEMENTS OF CASH FLOWS

	Years Ended May 31		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱510,205,409**	₱459,099,206	₱254,467,512
Adjustments to reconcile income before tax to net cash flows:			
Finance cost (Note 23)	**283,522,929**	182,580,810	136,159,926
Depreciation and amortization (Notes 11, 12 and 22)	**183,548,133**	137,958,502	106,258,319
Allowance for probable losses (Notes 8, 28 and 30)	**36,032,366**	–	–
Pension expense (Note 26)	**1,796,755**	2,000,304	1,980,811
Finance income (Note 7)	**(1,345,465)**	(541,911)	(268,444)
Unrealized foreign exchange gains - net	**(6,489,658)**	(4,627,046)	(1,174,541)
Fair value gain on agricultural produce and biological assets (Note 9)	**(155,929,466)**	(69,712,034)	(19,276,194)
Working capital adjustments:			
Decrease (increase) in:			
Receivables	**(832,860,333)**	(575,396,377)	(468,658,339)
Inventories	**170,549,701**	(824,883,729)	(382,714,275)
Biological assets	**(24,633,115)**	(12,950,147)	–
Prepayments and other current assets	**(265,493,894)**	(4,624,582)	(4,019,739)
Increase in:			
Accounts and other payables	**77,541,458**	52,215,609	44,627,346
Cash used in operations	**(23,555,180)**	(658,881,395)	(332,617,618)
Interest paid	**(274,516,260)**	(188,201,651)	(130,539,085)
Interest received	**1,345,465**	541,911	268,444
Taxes paid	**(706,076)**	(108,383)	(53,689)
Net cash flows used in operating activities	**(297,432,051)**	(846,649,518)	(462,941,948)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property and equipment (Note 11)	**(579,756,738)**	(238,625,925)	(163,133,128)
Deposit for future investment	**(5,514,370)**	(7,334,436)	
Payments for capitalized development costs (Note 12)	**(42,970,405)**	(409,417,910)	(160,626,005)
Decrease in security deposits	**(2,197,323)**	(2,894,288)	(5,591,060)
Net cash flows used in investing activities	**(630,438,836)**	(658,272,559)	(329,350,193)
CASH FLOWS FROM FINANCING ACTIVITIES			
Trust receipts payable			
Availments	**2,129,321,186**	1,542,612,030	1,823,548,118
Payments	**(2,224,854,567)**	(1,665,087,468)	(1,280,630,835)
Short-term debt			
Availments	**18,927,594,655**	6,167,606,457	3,151,987,441
Payments	**(18,021,843,351)**	(4,482,170,315)	(2,718,502,586)
Proceeds from:			
Issuance of shares of stocks	–	1	–
Deposit for future stocks subscription	**17,500,000**	–	–
Net cash flows provided by financing activities	**827,717,923**	1,562,960,705	976,402,138
NET INCREASE (DECREASE) IN CASH	**(100,152,964)**	58,038,628	184,109,997
EFFECT OF EXCHANGE RATE CHANGES IN CASH	**(4,088,485)**	(3,238,932)	(211,417)
CASH AT BEGINNING OF YEAR	**346,006,634**	291,206,938	107,308,358
CASH AT END OF YEAR (Note 7)	**₱241,765,185**	₱346,006,634	₱291,206,938

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, grow, mill and/or process palay to rice grains, and/or to outsource the cultivation of rice, corn, grains, etc. through independent landowners and/or farmers by supplying seeds, farm implements, and other resources under acceptable offsetting and payback arrangements and/or otherwise engage in buy and sell either in retail or wholesale, export or import of rice, corn, grains of all kinds and other agricultural farm products, seeds, vegetables, horticultural growths, fertilizers, chemicals or organic livestock of all kind and farm implement and machineries, and to conduct research and development for the production of aromatic super hybrid rice and cereals to sell the technology and intellectual property rights of the product developed through own research and development.

The Company, as authorized by the Securities and Exchange Commission, has issued ₱1,500,000,000 and ₱1,000,000,000 worth of short-term commercial papers (STCPs) on December 14, 2016 and January 22, 2016, respectively. The STCPs are listed at the Philippine Dealing & Exchange Corp. (see Note 16).

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

The accompanying financial statements of the Company were authorized for issue by the Board of Directors (BOD) on September 9, 2017.

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 and biological assets measured at fair value. 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).

3. **Changes in Accounting Policies**

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except that the Company has adopted the following new accounting pronouncements starting June 1, 2016. Adoption of these pronouncements did not have any significant impact on the Company's financial position or performance unless otherwise indicated.

- Amendments to PAS 16 and PAS 41, Agriculture*: Bearer Plants*

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

  The amendments are applied retrospectively and do not have any impact on the Company as the Company's biological assets are considered consumables and not bearer plants.

- Amendments to PAS 1, *Presentation of Financial Statements*, *Disclosure Initiative*
- Amendments to PFRS 10, PFRS 12 and PAS 28, *Investment in Associates and Joint Venture – Investment Entities: Applying the Consolidation Exception*
- Amendments to PAS 27, *Equity Method in Separate Financial Statements*
- Amendments to PFRS 11, *Accounting for Acquisitions of Interests in Joint Operations*
- PFRS 14, *Regulatory Deferral Accounts*
- Amendments to PAS 16 and PAS 38, *Clarification of Acceptable Methods of Depreciation and Amortization*
- Annual Improvements to PFRSs 2012 – 2014 Cycle
  - Amendment to PFRS 5, *Non-current Assets Held for Sale and Discontinued Operation – Changes in Methods of Disposal*
  - Amendment to PFRS 7, *Financial Instrument – Servicing Contracts*
  - Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  - Amendment to PAS 19, *Employee Benefits – Discount Rate: Regional Market Issue*
  - Amendment to PAS 34, *Interim Financial Reporting – Disclosure of Information 'Elsewhere in the Interim Financial Report'*

<u>Standards issued but not yet effective</u>
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements to have a significant impact on its financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after FY2017

- Amendment to PFRS 12, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs* 2014 – 2016 Cycle)

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

- Amendments to PAS 7, *Statement of Cash Flows*, *Disclosure Initiative*

  The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

  Application of amendments will result in additional disclosures in the fiscal year 2018 financial statements of the Company.

- Amendments to PAS 12, *Income Taxes*, *Recognition of Deferred Tax Assets for Unrealized Losses*

  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

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

  These amendments are not expected to have any impact on the Company.

Effective beginning on or after FY2018

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

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

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

  The amendments are not applicable since the Company has no share-based transactions.

- Amendments to PFRS 4, *Insurance Contracts*, *Applying PFRS 9, Financial Instruments, with PFRS 4*

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

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

  The amendments are not applicable to the Company since none of its activities are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*

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

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. The Company is currently assessing the impact of adopting this accounting standard.

- PFRS 9, *Financial Instruments*

  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 providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The adoption of PFRS 9 will have an effect on the classification and measurement of the 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. The Company is currently assessing the impact of adopting this standard.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 – 2016 Cycle)

  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted. These amendments are not expected to have any material impact on the Company.

- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight. These amendments are not expected to have any material impact on the Company.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration.

  If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Effective beginning on or after FY2019

- PFRS 16, *Leases*

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

  The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

  Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

  The Company is currently assessing the impact of adopting PFRS 16.

Standards with Deferred effectivity

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

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

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

4. **Summary of Significant Accounting Policies**

Current versus Non-current Classification

The Company presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed within normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled within normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and 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.

Cash

Cash includes cash on hand and in banks and are stated at face amount in the statement of financial position.

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 instruments are initially recognized at fair value. Except for financial assets and financial liabilities at fair value through profit or loss (FVPL), the initial measurement of financial assets and financial liabilities include transaction costs. Financial assets are classified as either financial assets at FVPL, held-to-maturity investments, available for sale (AFS) financial assets, or loans and receivables. Financial liabilities are classified as either financial liabilities at FVPL or other financial liabilities. The classification depends on the purpose for which the financial assets were acquired and financial liabilities incurred and whether these are quoted in an active market. The Company determines the classification of its financial instruments 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, 2017 and 2016, 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.

'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. These are not entered into with intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL.

After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest rate method (EIR) 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 EIR. The amortization is included in the “Finance Income” caption in the statement of comprehensive income. The losses arising from impairment of such loans and receivables are charged to “Provision for bad debt” account under operating expenses caption in the statement of comprehensive income. This accounting policy applies primarily to the Company’s “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 IER 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 debt”.

<u>Derecognition of Financial Assets and Financial Liabilities</u>
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.

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. Objective 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. For the Company's receivables from customers, evidence of impairment may also include non-collection of the Company's trade receivables, which remain unpaid after series of follow ups upon lapse of credit terms.

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 on financial asset carried at amortized cost (e.g., loans and receivables) has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the asset's original EIR. 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.

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.

Offsetting of Financial Instruments
Financial instruments are offset and the net amount reported in the statement of financial position if, and only if, there is currently enforceable legal right to offset the recognized amounts and the Company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously. The company assesses that it has currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

Inventories
Milled rice
The Company uses a standard costing method to account for milled rice inventories. The cost of processed milled rice includes costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. The costs of conversion include raw materials, direct labor, certain freight and warehousing cost, indirect production and overhead cost.

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 the biological asset's life processes cease.

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 present location and condition. Point-of-sale costs exclude transport and other costs necessary to get the agricultural produce to a market. Gains and losses arising from changes in fair values are included in the statement of comprehensive income for the period in which they arise.

Agricultural and supplies inventories
Agricultural and supplies inventories (i.e. packaging materials) 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 freight in.

Biological Assets
The biological assets of the Company consist of parental line and hybrid seeds growing crops. The cost of biological assets such as labor cost, seeds, fertilizers and chemicals are based on the actual cost.

The Company's biological assets are measured at their fair value. The Company uses the future selling price and gross margin of finished goods less future growing costs applied to the estimated volume of harvest as the basis of fair value.

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.
The initial costs of property and equipment consist of its construction cost or purchase price including non-refundable taxes, import duties and taxes, and any directly attributable costs of bringing the property and equipment to working condition and location for its intended use.

Depreciation commences once the property and equipment are put into operational use and is computed on a straight-line basis over the estimated useful lives of the 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

Subsequent costs are capitalized as part of property and equipment only when it is probable that economic benefits associated with the item will flow to the Company and the cost of the property and equipment can be measured reliably. All other repairs and maintenance costs are charged to current operations as incurred.

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.

Development Cost
Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understands, is recognized in the statement of comprehensive income.

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 once management deems a hybrid seed is probable of being commercially viable. This 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 asset is 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.

Subsequent expenditures is capitalized only when it increases the future economic benefits embodied in the specific asses to which it relates.

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

Prepaid Expenses
Prepaid expenses are being reduced on a monthly basis by the amount already expensed for the period.

Deposit for future investment
The Company entered into a Memorandum of Agreement (MOA) with two other Myanmar-based companies and one company from the Philippines to pursue a Joint Venture (JV) whereby hybrid rice will be planted and/or processed, and hybrid seeds will be multiplied, cultivated and/or processed in Myanmar using technology developed by the Company. It classifies this contractual arrangement outside the scope of PFRS 11, *Joint Arrangements.* Accordingly, the Company, accounts only for its share in undivided interest in the unincorporated joint venture.

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

Taxes

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.

Deferred tax liabilities are recognized for all taxable temporary differences and 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.

Deferred tax relating to items recognized in OCI or directly in equity is recognized in the statement of comprehensive income and statement of changes in equity and not in profit or loss.

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 24 and 27).

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.

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

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 Liability
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 (if any) 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) current service cost;
(b) interest on the defined benefit liability and
(c) remeasurements of defined benefit liability.

Service costs which include current 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. These amounts are calculated periodically by independent qualified actuary.

Interest on the defined benefit liability or asset is the change during the period in the 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 defined benefit liability or asset. Interest on the net defined benefit liability or asset is recognized as expense in profit or loss.

Remeasurements comprising actuarial gains and losses are recognized immediately in "Remeasurement losses on pension liability" account presented in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Termination Benefit

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

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognized related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term benefits.

Employee Leave Entitlement

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

Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

Company as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.

Finance leases are capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognized as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

Basic/Diluted Earnings per Share (EPS)

EPS is calculated by dividing net income for the year attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year, with the retroactive adjustments for any stock dividends declared.

The basic EPS is equal to the diluted EPS since the Company has no potential shares that will have a dilutive effect on EPS.

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.

Revenue and Income Recognition
Revenue is recognized to the extent that it is probable that the future economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, returns, rebates 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 since the Company is the primary obligor in all of its revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks. The following specific recognition criteria must also be met before revenue is recognized:

Revenue from sale of products
Revenue from sales of hybrid seeds and rice in the ordinary course of activities is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

Finance income
Finance income is recognized as it accrues taking into account the effective yield of the assets.

Other Comprehensive Income (OCI)
OCI are items of income and expense that are not recognized in profit or loss for the year in accordance with PFRS. The Company's OCI for the years ended May 31, 2017, 2016 and 2015 pertains to remeasurement gains and losses arising on defined benefit obligation which cannot be recycled to profit or loss.

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 products to their present location and condition. These costs include the costs of direct material, labor and overhead costs. Cost of sales is recognized as expense when the related goods are sold and delivered.

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

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, Estimates and Assumptions

The preparation of the financial statements in conformity with PFRS requires the Management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumptions used in the accompanying financial statements were based upon management evaluation of relevant facts and circumstances as of date of the financial statements. Actual results could differ from such estimates.

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.

Judgments
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:

Lease commitments – Company as lessee
The Company has determined, based on an evaluation of the terms and conditions of the arrangement, such as the lease term does not constitute a major part of the economic life of the commercial property and that the lessor still retains all the significant risk and rewards of ownership of the property and accounts for the contract as an operating lease.

Land Lease
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, Davao Oriental and Nueva Ecija. 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.

Warehouse lease
The Company entered into lease agreements which cover the lease of warehouses for the storage of hybrid rice palay/seeds in Bulacan, Laguna, Davao Oriental and Nueva Ecija. 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.

Biological assets
Consumable biological assets are those that are to be harvested as agricultural produce or sold as biological assets. Bearer biological assets are those other than consumable biological assets. Management considers its biological assets as consumable biological assets. These consist of living plant such as parental line and growing crops. PAS 41, *Agriculture,* requires that biological assets shall be measured on initial recognition and at the end of each reporting period at its fair value less costs to sell, except for the case where the fair value cannot be measured reliably. The Company has determined that biological assets must be valued at its fair value less costs to sell.

The management believes that the biological assets as of May 31, 2017 and 2016 qualifies as consumable biological assets since the parental line and hybrid seeds growing crops are not self-generating and life ceases upon harvest.

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):

	2017	2016
Development costs - cost	**₱1,533,532,610**	₱1,490,562,205
Accumulated amortization	**233,054,584**	183,044,158
Amortization for the year	**50,010,426**	22,043,527

Estimates and Assumptions
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.

Estimating allowance for impairment losses on loans and receivables
The Company maintains an allowance for impairment losses based on the results of individual and collective assessments. 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 (Note 28).

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.

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 (see Note 8):

	2017	2016
Receivables - net	**₱2,868,450,804**	₱2,046,115,560
Allowance for impairment losses	**36,000,0000**	16,000,000

Fair value of agricultural produce
The Company determined the fair value of agricultural produce based on the total actual selling prices approximating those at year-end, less cost to sell at point of harvest. Costs to sell at the point of harvest are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income taxes. 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, 2017 and 2016, fair value of agricultural produce amounted to ₱1,501,854,633 and ₱1,053,468,936 respectively (see Note 9).

Estimating NRV of inventories
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 costs necessary to make a 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 ₱1,070,998,146 and ₱1,544,954,000 as of May 31, 2017 and 2016, respectively (see Note 9). No allowance for inventory obsolescence was recognized as of May 31, 2017 and 2016.

Fair value of biological assets
The Company's biological assets are measured at their fair value. The key assumptions for the fair value of produce prior to harvest include future selling prices, estimated volume of harvests and future growing costs.

As of May 31, 2017 and 2016 the fair value of the Company's biological asset amounted to ₱48,533,184 and ₱12,950,147, respectively (see Note 13).

Key assumptions used in determining the discounted cash flow projection include (a) ₱4,500 to ₱5,500 future selling price based on the actual selling prices of current seed varieties; (b) estimated volume of harvest for current seed varieties ranging from 13,538 to 130,917 bags; and (c) ₱40.37 million to ₱392.75 million estimated costs to complete of current seed varieties.

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 (see Note 11):

	2017	2016
Property and equipment - cost	**₱1,846,471,888**	₱1,267,938,150
Accumulated depreciation	**757,051,280**	624,736,573
Depreciation	**133,537,707**	115,914,975

Estimating amortization period of development cost
The Company estimates the amortization period of intangible asset over the EUL of seventeen (17) to twenty (20) years, based on the copyright registration and trademark approval granted by the relevant government agency.

Impairment of property and equipment
The Company assesses impairment on property and equipment 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.

If such indications are present, and where the carrying amount of the asset exceeds its recoverable amount, the assets are considered impaired and are written down to recoverable amount.

As of May 31, 2017 and 2016, the Company has determined that there are no indications that its property and equipment may be impaired and the related balances of property and equipment amounted to ₱1,089,420,608 and ₱643,201,577, respectively.

Impairment of development costs for seed varieties undergoing development
The recoverability of capitalized development costs for seed varieties undergoing development require estimation of future cash flows which is affected by the probability of success, discount rate, and market price. The recoverable amount will differ from these estimates as a result of differences between the assumptions used and future actual results. While the Company believes that the key assumptions are reasonable and appropriate, significant differences in the future actual result or significant changes in the key assumptions may materially affect the recoverability of capitalized development costs for seed varieties undergoing development.

As of May 31, 2017 and 2016, the Company's capitalized development costs for seed varieties undergoing development amounted to ₱905,786,814 and ₱1,242,733,132, respectively (see Note 12).

Key assumptions used in determining the discounted cash flow projection include (a) probability of success and volume of sales based on the actual and projected levels for SL8H variety; (b) 12% discount rate; and (c) estimated selling price throughout the period of 20 years.

Estimating pension cost obligation
The determination of the present value pension obligation is determined using actuarial valuation. The actuarial valuation involves making various assumptions. These 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, 2017 and 2016 the Company's pension liability amounted to ₱20,250,887 and ₱10,674,781, respectively (see Note 26).

Deferred tax assets
The Company reviews the carrying amounts of deferred tax assets at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax asset (DTA) as of May 31, 2017 relate to the tax effect of pension amounting to ₱971,196 recognized in other comprehensive income. As of May 31, 2017 and 2016, the Company did not recognize DTA on any other 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 benefit of the Company (see Notes 24 and 27).

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. The Company's 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:

2017

	Seeds Division	**Rice Division**	**Total**
Net sales (Note 18)	**₱2,017,101,543**	**₱1,319,649,312**	**₱3,336,750,855**
Cost of sales (Note 19)	**(1,197,581,244)**	**(981,440,643)**	**(2,179,021,887)**
Gross profit	**819,520,299**	**338,208,669**	**1,157,728,968**
Operating expenses	**(400,672,720)**	**(127,092,500)**	**(527,765,220)**
EBIT	**418,847,579**	**211,116,169**	**629,963,748**
Depreciation and amortization expenses (Note 22)	**27,717,040**	**6,188,854**	**33,905,894**
Earnings before income tax and depreciation and amortization expenses (EBITDA)	**446,564,619**	**217,305,023**	**663,869,642**
Fair value gain on agricultural produce (Note 9)			**155,929,466**
Finance income (Note 7)			**1,345,465**
Finance cost			**(283,522,929)**
Depreciation and amortization expense (Note 22)			**(33,905,894)**
Unrealized Foreign exchange gains- net			**6,489,659**
Income before tax			**510,205,409**
Provision for tax			**(979,749)**
Net income			**509,225,660**

2016

	Seeds Division	Rice Division	Total
Net sales (Note 18)	₱1,653,276,163	₱898,932,332	₱2,552,208,495
Cost of sales (Note 19)	(994,095,861)	(534,063,355)	(1,528,159,216)
Gross profit	659,180,302	364,868,977	1,024,049,279
Operating expenses	(311,188,960)	(146,061,294)	(457,250,254)
EBIT	347,991,342	218,807,683	566,799,025
Depreciation and amortization expenses (Note 22)	21,659,076	17,721,061	39,380,137
Earnings before income tax and depreciation and amortization expenses (EBITDA)	369,650,418	236,528,744	606,179,162
Fair value gain on agricultural produce (Note 9)			69,712,034
Finance income (Note 7)			541,911
Finance cost (Note 23)			(182,580,810)
Depreciation and amortization expense (Note 22)			(39,380,137)
Foreign exchange gains – net			4,627,046
Income before tax			459,099,206
Provision for tax			(108,383)
Net income			₱458,990,823

2015

	Seeds Division	Rice Division	Total
Net sales (Note 18)	₱1,217,706,791	₱829,096,502	₱2,046,803,293
Cost of sales (Note 19)	(688,685,637)	(583,208,727)	(1,271,894,364)
Gross profit	529,021,154	245,887,775	774,908,929
Operating expenses	(264,445,421)	(140,555,249)	(405,000,670)
EBIT	264,575,733	105,332,526	369,908,259
Depreciation and amortization expenses (Note 22)	22,582,469	18,476,565	41,059,034
Earnings before income tax and depreciation and amortization expenses (EBITDA)	287,158,202	123,809,091	410,967,293
Fair value gain on agricultural produce (Note 9)			19,276,194
Finance income (Note 7)			268,444
Finance cost (Note 23)			(136,159,926)
Depreciation and amortization expense (Note 22)			(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

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

2017

	Seeds Division	**Rice Division**	**Others**	**Total**
Receivables (Note 8)	**₱2,376,298,336**	**₱331,012,972**	**₱161,139,496**	**₱2,868,450,804**
Inventories (Note 9)	**1,501,854,633**	**1,000,868,578**	**70,129,568**	**2,572,852,779**
Segment Assets	**₱3,878,152,969**	**₱1,331,881,550**	**₱231,269,064**	**₱5,441,303,583**

2016

	Seeds Division	Rice Division	Others	Total
Receivables (Note 8)	₱1,658,949,561	₱319,131,910	₱68,034,089	₱2,046,115,560
Inventories (Note 9)	1,053,468,936	1,474,515,354	70,438,646	2,598,422,936
Segment Assets	₱2,712,418,497	₱1,793,647,264	₱138,472,735	₱4,644,538,496

Intersegment Revenues

There are no intersegment revenues.

Segment Results

Significant results pertain to the net income 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 distributes hybrid seeds and milled rice 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:

	2017	2016	2015
Domestic	**₱3,295,287,953**	₱2,476,013,957	₱1,953,907,217
Foreign	**41,462,902**	76,194,538	92,896,076
	₱3,336,750,855	₱2,552,208,495	₱2,046,803,293

The Company's major customer is the Municipal Agriculture Office (MAO) which contributes revenues of ₱383,559,630, ₱672,310,477 and ₱293,086,082 in 2017, 2016 and 2015, respectively.

7. **Cash**

	2017	2016
Cash on hand	**₱4,826,500**	₱4,683,831
Cash in banks	**236,938,685**	341,322,803
	₱241,765,185	₱346,006,634

Cash in banks earns interest at the prevailing bank deposit rates. Interest income earned from savings amounted to ₱1,345,465, ₱541,911 and 268,444 in 2017, 2016 and 2015, respectively.

8. **Receivables**

	2017	2016
Trade receivables	**₱2,743,311,308**	₱1,994,081,471
Advances to suppliers	**118,447,147**	44,905,649
Non-trade	**21,352,313**	15,110,147
Receivables from employees	**21,340,036**	8,018,293
	2,904,450,804	2,062,115,560
Less allowance for impairment losses	**36,000,000**	16,000,000
	₱2,868,450,804	₱2,046,115,560

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 are expected to be collected 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.

Advances to suppliers pertain to initial payment to contractors to be applied against future progress billing.

Non-trade receivables consist primarily of creditable withholding tax that are collectible from customers.

Receivables from employees are collected through salary deductions or expense liquidation.

Changes in allowance for impairment losses follow:

	2017	2016
Trade		
Balance at the beginning of the year	**₱16,000,000**	₱16,000,000
Provision during the year (Note 20)	**11,650,000**	–
At end of year	**₱27,650,000**	₱16,000,000
Non-trade		
Balance at the beginning of the year	**₱–**	₱–
Provision during the year (Note 20)	**8,350,000**	–
At end of year	**₱8,350,000**	₱16,000,000
Collectively impaired	**₱25,299,900**	₱13,649,900
Individually impaired	**10,700,100**	2,350,100
	₱36,000,000	₱16,000,000

Provisions recognized during the year amounting to ₱11,650,000 and ₱8,350,000 pertains to trade receivables and non-trade receivables, respectively.

The table below shows the analysis of the Company's receivables as of May 31, 2017 and 2016.

2017

	Total	**Neither past due nor impaired**	**Past due but not impaired <120 days**	**121-365 days**	**1- 2 years**	**Impaired**
Trade receivables	**₱2,734,961,308**	**₱2,706,485,472**	**₱825,836**	**₱-**	**₱-**	**₱27,650,000**
Advances to suppliers	**118,447,147**	**118,447,147**	**-**	**-**	**-**	**-**
Non-trade receivables	**21,352,313**	**13,002,313**	**-**	**-**	**-**	**8,350,000**
Receivables from employees	**21,340,036**	**21,340,036**	**-**	**-**	**-**	**-**
	₱2,896,100,804	**₱2,859,274,968**	**₱825,836**	**₱-**	**₱-**	**₱36,000,000**

2016

	Total	Neither past due nor impaired	Past due but not impaired <120 days	121-365 days	1- 2 years	Impaired
Trade receivables	₱1,994,081,471	₱1,978,081,471	₱-	₱-	₱-	₱16,000,000
Advances to suppliers	44,905,649	44,905,649	-	-	-	-
Non-trade receivables	15,110,147	15,110,147	-	-	-	-
Receivables from employees	8,018,293	8,018,293	-	-	-	-
	₱2,062,115,560	₱2,046,115,560	₱-	₱-	₱-	₱16,000,000

9. **Inventories**

	2017	2016
At cost:		
Dried palay	**₱966,150,950**	₱1,436,617,950
Agricultural and supplies inventories	**70,129,568**	70,438,646
Milled rice	**34,717,628**	37,897,404
	1,070,998,146	1,544,954,000
Hybrid rice seed - at fair value less estimated cost to sell at point of harvest	**1,501,854,633**	1,053,468,936
	₱2,572,852,779	₱2,598,422,936

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 ₱573,592,825 and ₱669,126,206 as of May 31, 2017 and 2016, respectively (Note 15).

The cost of inventories recognized as cost of sales in the statements of comprehensive income amounted to ₱2,179,021,887; ₱1,528,159,216; and ₱1,271,894,364 in 2017, 2016 and 2015, respectively (see Note 19).

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

	2017	2016
At cost – beginning	**₱805,566,380**	₱462,646,767
Additions	**1,515,581,994**	1,325,597,749
Sales (Note 19)	**(1,212,175,841)**	(982,678,136)
At cost – end	**1,108,972,533**	805,566,380
Fair value gains net of point-of-sale cost at point of harvest	**392,882,100**	247,902,556
	₱1,501,854,633	₱1,053,468,936

The fair value gain on agricultural produce recognized in the statements of comprehensive income amounted to ₱144,979,544; ₱69,712,034; and ₱19,276,194, in 2017, 2016 and 2015, respectively.

The Company has 249,185 bags and 154,874 bags of hybrid seeds in 2017 and 2016, respectively.

Cost of inventories that are pledged by the Company as security to short-term debt amounted to ₱500,000,000 in 2017 and 2016.

Sensitivity analysis
The Company's fair value of hybrid rice seeds is determined using the market approach (Level 3). The significant unobservable input include the estimated selling price per bag of hybrid rice seed. The Company also considers the significant increase (decrease) in the estimated future selling price as most sensitive in computing for fair value of hybrid rice seeds.

10. Prepayments and other current assets

	2017	2016
Prepayments for:		
Rent	**₱245,889,892**	₱–
Interest	**22,760,476**	28,402,605
Insurance	**12,802,555**	9,112,207
Land lease	**7,888,070**	14,284,905
Others	**192,163**	642,160
Total	**289,533,156**	52,441,877
Less noncurrent portion of prepaid rent	**224,404,854**	–
	₱65,128,302	₱52,441,877

In 2017, the Company entered into an agreement with SP Properties Inc., an affiliate for the lease of office and warehouse building, including open and parking spaces for a term of 20 years commencing on March 1, 2017 and expiring on February 28, 2037 (Note 29). Monthly rental amounted to ₱1.79 million and total rentals shall be paid at the commencement of the lease. Prepaid rental included under "Other noncurrent assets" pertaining to this lease agreement amounted to ₱224.40 million.

In addition, the Company has entered into contracts of operating leases of agricultural lands located in Lupon, Davao Oriental and Nueva Ecija 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 ₱12,444,613; ₱54,350,374; and ₱41,152,693 in 2017, 2016 and 2015 respectively (Note 19). Farm land lease expense amounting ₱27,084,420, ₱24,726,761 and ₱18,722,462 in 2017, 2016 and 2015, respectively, were included in the cost of inventories.

Interest refers to interest expense deducted in advance on loan proceeds.

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

11. Property and Equipment

2017

	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, 2016	₱163,860,786	₱362,975,086	₱405,360,711	₱15,014,481	₱98,052,628	₱636,926	₱11,298,122	₱210,739,410	₱1,267,938,150
Additions	26,735,000	19,145,616	8,958,832	2,016,081	28,926,976	–	7,397,679	486,576,554	579,756,738
Disposal	–	–	–	–	(1,223,000)	–	–	–	(1,223,000)
Transfer	–	35,065,018	374,093,330	–	17,000	–	–	(409,175,348)	–
At May 31, 2017	190,595,786	417,185,720	788,412,873	17,030,562	125,773,604	636,926	18,695,801	288,140,616	1,846,471,888
Accumulated Depreciation									
At June 1, 2016	–	(229,732,288)	(322,371,196)	(11,175,971)	(55,948,873)	(636,926)	(4,871,319)	–	(624,736,573)
Depreciation (Note 22)	–	(42,627,897)	(70,728,324)	(4,308,879)	(14,741,531)	–	(1,131,076)	–	(133,537,707)
Disposal	–	–	–	–	1,223,000	–	–	–	1,223,000
At May 31, 2017	–	(272,360,185)	(393,099,520)	(15,484,850)	(69,467,404)	(636,926)	(6,002,395)	–	(757,051,280)
Net Book Value as of May 31, 2017	₱190,595,786	₱144,825,535	₱395,313,353	₱1,545,712	₱56,306,200	₱–	₱12,693,406	₱288,140,616	₱1,089,420,608

2016

	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, 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
Additions	3,876,000	58,268,434	358,437	2,583,268	23,357,647	–	7,280,071	142,902,068	238,625,925
Disposal	–	–	–	–	(5,321,088)	–	–	–	(5,321,088)
Transfer	–	–	–	–	–	–	–	–	–
At May 31, 2016	163,860,786	362,975,086	405,360,711	15,014,481	98,052,628	636,926	11,298,122	210,739,410	1,267,938,150
Accumulated Depreciation									
At June 1, 2015	–	(192,724,446)	(255,146,460)	(10,441,158)	(51,582,699)	(636,926)	(3,610,997)	–	(514,142,686)
Depreciation (Note 22)	–	(37,007,842)	(67,224,736)	(734,813)	(9,687,262)	–	(1,260,322)	–	(115,914,975)
Disposal	–	–	–	–	5,321,088	–	–	–	5,321,088
At May 31, 2016	–	(229,732,288)	(322,371,196)	(11,175,971)	(55,948,873)	(636,926)	(4,871,319)	–	(624,736,573)
Net Book Value as of May 31, 2016	₱163,860,786	₱133,242,798	₱82,989,515	₱3,838,510	₱42,103,755	₱–	₱6,426,803	₱210,739,410	₱643,201,577

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

	2017	2016	2015
Cost of sales (Note 19)	**₱120,641,810**	₱70,998,745	₱46,802,758
Operating expense (Note 20)	**33,905,894**	39,380,137	41,059,034
Ending inventories (Note 9)	**36,653,459**	57,663,456	52,127,363
Total	**191,201,163**	168,042,338	139,989,155
Beginning inventories	**(57,663,456)**	(52,127,363)	(44,356,638)
Depreciation	**₱133,537,707**	₱115,914,975	₱95,632,517

Fully depreciated assets, amounting ₱289,954,908 and ₱281,698,284 as of May 31, 2017 and 2016, respectively, are still in active use.

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

Carrying value of property and equipment items that are pledged by the Company as security to short-term debt amounted to ₱365,367,337 and ₱441,953,538 in 2017 and 2016, respectively.

There are no temporarily idle property and equipment as of May 31, 2017 and 2016.

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.

	2017	2016
Cost		
At beginning of year	**₱1,490,562,205**	₱1,081,144,295
Additions	**42,970,405**	409,417,910
At end of year	**1,533,532,610**	1,490,562,205
Accumulated Amortization		
At beginning of year	**183,044,158**	161,000,631
Amortization	**50,010,426**	22,043,527
At end of year	**233,054,584**	183,044,158
Net Book Value at End of Year	**₱1,300,478,026**	₱1,307,518,047

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

	2017	2016	2015
Cost of sales (Note 19)	**₱29,886,712**	₱22,258,242	₱9,921,387
Ending inventories (Note 9)	**28,579,055**	8,455,341	8,670,056
Total	**58,465,767**	30,713,583	18,591,443
Beginning inventories	**(8,455,341)**	(8,670,056)	(7,965,641)
Amortization	**₱50,010,426**	₱22,043,527	₱10,625,802

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

2017

	Developed Hybrid Rice Seeds SLs 7, 8, 9, 11, 12 and 18	**Hybrid Rice Seeds Under Development SLs 16, 19, 20, 21, 24, 25, 26, 28 and 30**	**Hybrid Corn**	**Total**
Cost				
At beginning of year	**₱238,412,315**	**₱1,242,733,132**	**₱9,416,758**	**₱1,490,562,205**
Additions	–	**42,970,405**	–	**42,970,405**
Reclassification (SL12 and SL18)	**379,916,723**	**(379,916,723)**	–	–
At end of year	**618,329,038**	**905,786,814**	**9,416,758**	**1,533,532,610**
Accumulated Amortization				
At beginning of year	**173,627,400**	–	**9,416,758**	**183,044,158**
Amortization	**50,010,426**	–	–	**50,010,426**
At end of year	**223,637,826**	–	**9,416,758**	**233,054,584**
Net Book Value at End of Year	**₱394,691,212**	**₱905,786,814**	**₱–**	**₱1,300,478,026**

2016

	Developed Hybrid Rice Seeds SLs 7, 8, 9 and 11	Hybrid Rice Seeds Under Development SLs 12, 16, 18, 19, 20, 21, 24, 26	Hybrid Corn	Total
Cost				
At beginning of year	₱238,412,315	₱833,315,222	₱9,416,758	₱1,081,144,295
Additions		409,417,910	–	409,417,910
At end of year	238,412,315	1,242,733,132	9,416,758	₱1,490,562,205
Accumulated Amortization				
At beginning of year	151,583,873	–	9,416,758	161,000,631
Amortization	22,043,527	–	–	22,043,527
At end of year	173,627,400	–	9,416,758	183,044,158
Net Book Value at End of Year	₱64,784,915	₱1,242,733,132	₱–	₱1,307,518,047

SLs 16, 19, 20, 21, 24, 25, 26, 28 and 30 are the additional hybrid rice seeds that are under development following the success in breeding SLs 7, 8, 9, 12 and 18. These are all hybrid rice seeds that have been initially determined as viable having 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, 9, 12 and 18.

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 ₱6,102,714 and ₱12,694,422 respectively, as of May 31, 2017.

Details of the remaining life in years of the hybrid seeds are as follows:

Hybrid Seed Variety	Remaining life
SL-12H	19
SL-18H	19
SL-7H	9
SL-9H	9
SL-8H	3
SL-11H	–

13. Biological Assets

The biological assets amounting to ₱48,533,184 and ₱12,950,147 as of May 31, 2017 and 2016, respectively, pertain to parental line and hybrid seed growing crops. These biological assets are determined to qualify as consumable biological assets since these assets are to be harvested as agricultural produce or sold as biological assets.

The fair value gain recognized in the statements of comprehensive income amounted to ₱10,949,922 and nil in 2017 and 2016, respectively.

Sensitivity analysis
The Company's fair value of biological assets is determined using the market approach (Level 3). The significant unobservable inputs include the estimated selling prices of standing crops at point of harvest, estimated volume of harvest and future growing costs. The Company also considers the significant increase (decrease) in the estimated future selling price, estimated volume of harvest and future growing costs as most sensitive in computing for fair value.

14. Accounts and Other Payables

	2017	2016
Trade payables	**₱110,694,323**	₱145,870,820
Non-trade payables	**132,896,033**	23,736,010
Accrued expenses	**20,320,524**	9,505,721
Others	**3,988,414**	3,068,185
	₱267,899,294	₱182,180,736

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 2017 and 2016 which is payable monthly. Interest expense incurred amounted to ₱9,096,587, ₱5,408,392 and ₱2,921,827 in 2017, 2016 and 2015, respectively (see Note 23).

Accrued expenses consist of accrual of interest, professional fees, bonus and employee welfare benefits.

15. Trust Receipts Payable

	2017	2016
Land Bank of the Philippines	**₱510,217,975**	₱413,886,558
China Banking Corporation	**40,865,280**	8,684,340
Banco de Oro	**11,668,945**	47,979,259
Maybank Philippines	**10,840,625**	137,504,100
Chinatrust (Philippines) Commercial Bank Corporation	**–**	49,482,600
Philippine National Bank	**–**	11,589,349
	₱573,592,825	₱669,126,206

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 3.75% to 4.75% in 2017, 4.75% to 5.25% in 2016 and 4.50% to 6.00% in 2015. Interest expense incurred amounted to ₱31,034,106, ₱34,286,320 and ₱18,789,223 in 2017, 2016 and 2015, respectively (see Note 23).

16. Short-term debt

	2017	2016
Local banks	**₱3,584,714,022**	₱3,207,365,323
Short-term commercial papers	**1,500,000,000**	1,000,000,000
	₱5,084,714,022	₱4,207,365,323

Loans from local banks represent secured short-term borrowings with prevailing annual market rates ranging from 3.63% to 5.25%, 4.00% to 5.00% and 4.00% to 6.00% in 2017, 2016 and 2015, respectively, with maturity dates ranging from three (3) months to one (1) year.

Shor-term commercial papers (STCP's) amounting to ₱1,500,000,000 and ₱1,000,000,000 were issued by the Company on December 14, 2016 and January 22, 2016, as authorized by the Securities and Exchange Commission. The STCPs are listed at the Philippine Dealing & Exchange Corp.

The proceeds from availment of short-term debt were used to finance the working capital requirements of the Company.

Total interest expense recognized on these short-term debt amounted to ₱243,392,236, ₱142,886,098 and ₱114,448,876 in 2017, 2016 and 2015, respectively (see Note 23).

17. **Equity**

Capital Stock

	2017	2016
Authorized number of shares	**2,000,000,000**	2,000,000,000
Par value per share	**₱1**	₱1
Authorized capital stock	**₱2,000,000,000**	₱2,000,000,000
At beginning of year	**810,000,001**	710,000,000
Stocks dividends declared and issued	**350,000,000**	100,000,000
Issuance	**–**	1
Issued and outstanding	**₱1,160,000,001**	₱810,000,001

Retained Earnings

On June 10, 2015, the Company's Board of Directors approved the declaration of stock dividends amounting to ₱100,000,000 to the Company's shareholders of record as of June 10, 2015. The stock dividends were subsequently issued on August 6, 2015.

On July 27, 2016, the Company's Board of Directors (BOD) approved the declaration of stock dividends amounting to ₱350,000,000 to the Company's shareholders of record as of July 15, 2016. The stock dividends were subsequently issued on August 31, 2016.

On August 15, 2016, the BOD approved the increase in authorized capital stock from ₱2,000,000,000 to ₱2,070,000,000 divided into 2,000,000,000 common shares and 70,000,000 preferred shares both with the par value of ₱1.00 each. On April 11, 2017, the Company received ₱17,500,000 from existing shareholders as deposit for future stocks subscription for ₱70,000,000 preferred shares. The proceeds was recorded under current liabilities section of the statement of financial position as of May 31, 2017. On September 4, 2017, the SEC has approved the increase in authorized capital stock (Note 31).

On May 12, 2017, the BOD of the Company authorized the declaration of stock dividends amounting to ₱625,000,000 to the Company's shareholders wherein the record date of the stock dividends shall be fixed and approved by the Securities and Exchange Commission (SEC) after the increase in authorized capital stock shall have been approved by the SEC and wherein the payment date shall be determined after the SEC has fixed the record date. On the same date, the BOD approved the increase in authorized capital stock from ₱2,070,000,000 to ₱4,570,000,000 divided into 4,500,000,000 common shares and 70,000,000 preferred shares both with the par value of ₱1.00 each.

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:

	2017	2016
Capital stock	**₱1,160,000,001**	₱810,000,001
Stock dividend distributable	**625,000,000**	–
Retained earnings	**677,830,059**	1,143,604,399
Remeasurement loss on pension liability	**(5,784,751)**	(339,205)
	₱2,457,045,309	₱1,953,265,195

The Company is not subject to externally imposed capital requirements.

18. Revenue

	2017	2016	2015
Hybrid seeds	**₱2,575,835,788**	₱2,288,996,574	₱1,789,259,879
Rice	**1,428,929,197**	966,940,203	945,693,029
	4,004,764,985	3,255,936,777	2,734,952,908
Less: Sales discounts	**195,416,006**	156,578,930	133,431,451
Sales returns	**472,598,124**	547,149,352	554,718,164
	668,014,130	703,728,282	688,149,615
Net Sales	**₱3,336,750,855**	₱2,552,208,495	₱2,046,803,293

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 Department of Agriculture - Regional Fields Unit (DA-RFU) and Provincial Local Government Units. The balance of seed cost is collected from the farmer beneficiaries through the MAO.

In 2017, 2016 and 2015, total hybrid seeds sold including agricultural produce to DA amounted to ₱605,620,469, ₱615,971,670 and ₱480,723,523.

19. Cost of Sales

	2017	2016	2015
Fertilizers, seeds and agrichemicals	**₱1,758,962,632**	₱1,041,371,322	₱979,634,150
Depreciation and amortization (Notes 11, 12 and 22)	**150,528,522**	93,256,987	56,724,145
Personnel expenses (Notes 21 and 26)	**135,899,480**	158,211,532	107,002,490
Transportation	**68,661,962**	63,567,777	39,468,296
Light, water and utilities	**15,821,914**	23,506,376	16,437,265
Rent (Notes 10 and 30)	**12,444,613**	54,350,374	41,152,693
Repairs and maintenance	**9,099,263**	17,665,175	9,324,765
Security services	**7,040,732**	8,132,636	6,726,034
Taxes and licenses	**3,908,478**	2,397,496	1,676,434
Others	**16,654,291**	65,699,541	13,748,092
	₱2,179,021,887	₱1,528,159,216	₱1,271,894,364

Operating Expenses

	2017	2016	2015
Personnel expenses (Notes 21 and 26)	**₱130,497,229**	₱102,610,262	₱82,360,796
Freight and other selling expenses	**56,403,595**	86,688,922	73,339,694
Advertising and promotion	**53,426,713**	60,004,696	38,362,036
Rent (Note 30)	**34,420,835**	10,495,053	9,905,733
Depreciation and amortization (Notes 11 and 22)	**33,905,894**	39,380,137	41,059,034
Taxes and licenses	**31,820,314**	26,753,798	25,336,828
Transportation and travel	**30,993,231**	23,449,126	25,997,485
Entertainment, amusement and recreation (EAR)	**21,634,324**	15,302,713	11,445,012
Legal and professional fees (Note 8)	**20,265,253**	4,341,859	2,269,028
Provision for bad debts (Note 8)	**20,000,000**	–	–
Provision for losses on other current asset (Note 30)	**12,472,336**	–	–
Training and recruitment	**12,373,170**	1,066,534	1,223,493
Gas, oil and lubricant	**12,017,580**	10,992,301	10,803,742
Insurance	**9,464,042**	10,412,261	9,246,570
Bank charges	**8,944,098**	10,096,428	7,666,225
Contributions and donations	**8,401,532**	4,685,687	4,451,187
Repairs and maintenance	**6,563,982**	5,109,686	5,396,913
Supplies	**4,840,623**	20,497,030	25,379,398
Communication	**4,616,467**	4,508,391	3,744,699
Provision for losses on security deposit	**3,560,000**	–	–
Membership dues	**1,829,953**	742,004	716,258
Security services	**1,490,249**	836,535	360,553
Light, water and utilities	**1,171,691**	989,379	2,360,332
Loss on inventory returns	**496,270**	5,349,276	6,290,034
Commission	**–**	3,632,406	104,613
Miscellaneous (Note 8)	**6,155,839**	9,305,770	17,181,007
	₱527,765,220	₱457,250,254	₱405,000,670

Miscellaneous pertains to various expenses incurred by the Company such as bad debts and showroom expenses.

20. **Personnel Expenses**

	2017	2016	2015
Salaries, wages and other benefits	**₱195,431,914**	₱299,195,391	₱191,190,741
Employee welfare	**15,508,812**	14,997,334	8,610,107
Pension expense (Note 26)	**1,796,755**	2,000,304	1,980,811
	₱212,737,481	₱316,193,029	₱201,781,659

Personnel expense are allocated as follows:

	2017	2016	2015
Cost of sales (Note 19)	**₱135,899,480**	₱158,211,532	₱107,002,490
Operating expenses (Note 20)	**130,497,229**	102,610,262	82,360,796
Ending inventories	**71,693,413**	125,352,641	69,981,406
Total	**338,090,122**	386,174,435	259,344,692
Less: Beginning inventories	**(125,352,641)**	(69,981,406)	(57,563,033)
	₱212,737,481	₱316,193,029	₱201,781,659

21. **Depreciation and Amortization**

	2017	2016	2015
Cost of sales (Note 19)	**₱150,528,522**	₱93,256,987	₱56,724,145
Operating expenses (Note 20)	**33,905,894**	39,380,137	41,059,034
Ending inventories	**65,232,514**	66,118,797	60,797,419
Total	**249,666,930**	198,755,921	158,580,598
Less: Beginning inventories	**(66,118,797)**	(60,797,419)	(52,322,279)
	₱183,548,133	₱137,958,502	₱106,258,319

22. **Finance Cost**

	2017	2016	2015
Short-term debt (Note 16)	**₱243,392,236**	₱142,886,098	₱114,448,876
Trust receipts payable (Note 15)	**31,034,106**	34,286,320	18,789,223
Finance lease liability (Note 14)	**9,096,587**	5,408,392	2,921,827
	₱283,522,929	₱182,580,810	₱136,159,926

23. **Income Tax**

Provision for income tax consists of:

	2017	2016	2015
Current - MCIT	**₱710,656**	₱–	₱–
Final Tax	**269,093**	108,383	53,689
	₱979,749	₱108,383	₱53,689

Final taxes are paid at the rate of 20.00% and 7.50% on peso and dollar denominated cash in banks, respectively, which are final withholding taxes on gross interest income

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 profit or loss in 2017, 2016 and 2015 on temporary differences that will not reverse within the ITH period (Note 27).

Details of unrecognized NOLCO, MCIT and temporary differences at gross amounts follow:

	2017	2016	2015
Pension liability	**₱20,250,887**	₱10,674,781	₱13,216,506
Allowance for impairment	**52,032,366**	16,000,000	12,000,000
NOLCO	**159,859,438**	6,465,323	6,465,323
MCIT	**710,656**	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	MCIT	NOLCO	Year of Expiration
2017	₱710,656	₱159,859,438	2020

The Company has excess MCIT over RCIT and NOLCO amounting to ₱515,290 and ₱6,465,323, respectively, which expired in 2017.

Deferred taxes as of May 31, 2017 and 2016 relate to the tax effect of pension that are recognized in other comprehensive income amounting to ₱971,196 and ₱1,362,609, respectively.

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:

	2017	2016	2015
Statutory income tax rate	**30.00%**	30.00%	30.00%
Tax effects of:			
Nondeductible expenses	**7.06**	0.87	1.18
Interest income subjected to final tax rate	**(7.86)**	(0.01)	(0.01)
Nontaxable fair value gain	**(30.56)**	(15.18)	(7.58)
ITH (Note 27)	**(1.55)**	(15.65)	(23.57)
Effective income tax rate	**0.19%**	0.02%	0.02%

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. Earnings Per Share

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

	2017	2016 (As restated)	2015 (As restated)
a. Net income attributable to equity holders of the Company	**₱509,225,660**	₱458,990,823	₱254,413,823
b. Weighted average number of common shares outstanding*	**1,160,000,001**	1,160,000,001	1,160,000,000
c. Earnings per share (a/b)**	**₱0.44**	₱0.40	₱0.22

**Retrospectively adjusted for the issuance of stock dividend in 2017.*
***The effect on earnings per share related to the restatement in 2016 and 2015 was ₱0.17 and ₱0.09, respectively.*

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, 2017.

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, 2017 computed using the PUC method, the Company's pension liability and expenses are summarized as follows:

	May 31		
	2017	2016	2015
Pension expense (Note 21)	**₱1,796,755**	₱2,000,304	₱1,980,811
Pension liability	**20,250,887**	10,674,781	13,216,506

Components of pension expense in profit or loss follow:

	2017	2016	2015
Current service cost	**₱1,263,498**	₱1,375,163	₱1,390,570
Interest cost on defined benefit liability	**533,257**	625,141	590,241
Total pension expense	**₱1,796,755**	₱2,000,304	₱1,980,811

The movements in the pension liability follow:

	May 31		
	2017	2016	2015
At beginning of year	**₱10,674,781**	₱13,216,506	₱11,438,781
Pension expense	**1,796,755**	2,000,304	1,980,811
Amount to be recognized in OCI	**7,779,351**	(4,542,029)	(203,086)
At end of the year	**₱20,250,887**	₱10,674,781	₱13,216,506

Movement of cumulative remeasurement effect recognized in OCI:

	May 31		
	2017	2016	2015
Balance at beginning of year	**(₱339,205)**	(₱3,518,625)	(₱3,721,711)
Additional actuarial gains (losses) from plan obligation	**(5,445,546)**	3,179,420	203,086
Balance at end of year	**(₱5,784,751)**	(₱339,205)	(₱3,518,625)

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

	May 31		
	2017	2016	2015
Balance at beginning of year	**₱10,674,781**	₱13,216,506	₱11,438,781
Current service cost	**1,263,498**	1,375,163	1,390,570
Interest cost	**533,257**	625,141	590,241
Actuarial loss (gain) due to:			
Experience adjustments	**9,053,746**	(2,898,999)	–
Changes in demographic assumptions	**(136,860)**	(939,486)	(931,546)
Changes in financial assumptions	**(1,137,535)**	(703,544)	728,460
Balance at end of year	**₱20,250,887**	₱10,674,781	₱13,216,506

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

	2017	2016	2015
Discount rates	**5.69%**	5.27%	4.73%
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.

2017

		Amount of Present value of obligation
Discount rate	**+6.69%**	**₱17,863,717**
	-4.69%	**23,164,229**
Salary rate	**+6.00%**	**23,250,909**
	-4.00%	**17,753,887**

2016

		Amount of Present value of obligation
Discount rate	+6.27%	₱9,732,448
	-4.27%	12,450,860
Salary rate	+6.00%	12,485,334
	-4.00%	9,682,673

26. **Registration with the Board of Investment (BOI)**

On May 4, 2017, the BOI approved the Company's registration as new producer of hybrid rice seeds and by-products (palay) in its plant facility at Matanao, Davao del Sur from May 4, 2017 to May 4, 2021 on a non-pioneer status.

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

On February 6, 2009, the Company was registered with the BOI as a new producer of hybrid rice seeds and by-product in Lupon, Davao Oriental on a pioneer status from February 6, 2009 to February 5, 2017. Upon expiry of the registration, the Company did not apply for further extension of registrations.

On January 13, 2009, the Company was registered with the BOI as a new producer of hybrid rice seeds and by-product in Kalinga on a pioneer status from January 13, 2009 to February 5, 2017. Upon expiry of the registration, the Company did not apply for further extension of registrations.

Under the terms of the registration and subject to certain requirements, the Company is entitled to the following fiscal and non-fiscal incentives: (a) ITH for a period of six (6) years from February 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, accounts and other payables, trust receipts payable and short-term debt. 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. 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, 2017 and 2016.

2017

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Loans and receivables					
Cash	**₱241,765,185**	**₱–**	**₱–**	**₱–**	**₱241,765,185**
Trade receivables	**2,742,485,472**	**825,836**	–	–	**2,743,311,308**
Receivables from employees[1]	**8,157,134**	–	–	–	**8,157,134**
Non-trade receivable[2]	**21,352,313**	–	–	–	**21,352,313**
Security deposits[3]	–	–	–	**12,180,959**	**12,180,959**
	₱3,013,760,104	**₱825,836**	**₱–**	**₱12,180,959**	**₱3,026,766,899**
Other financial liabilities					
Accounts and other payables[4]	**₱264,984,941**	**₱–**	**₱–**	**₱–**	**₱264,984,941**
Trust receipts payable	–	**513,991,919**	**59,600,906**	–	**573,592,825**
Short-term debt	–	**2,459,714,022**	**2,625,000,000**	–	**5,084,714,022**
	₱264,984,941	**₱2,973,705,941**	**₱2,684,600,906**	–	**₱5,923,291,788**

[1]*Excluding receivables collectable through salary deduction and subject to employee liquidation totaling to ₱13,182,902.*
[2]*Excluding non-financial receivables amounting to ₱118,447,147.*
[3]*Excluding allowance for impairment losses of ₱3,560,000*
Excluding statutory liabilities amounting to ₱2,914,353.

2016

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Loans and receivables					
Cash	₱346,006,634	₱–	₱–	₱–	₱346,006,634
Trade receivables	1,994,081,471	–	–	–	1,994,081,471
Receivables from employees[1]	846,910	–	–	–	846,910
Non-trade receivables[2]	15,110,147	–	–	–	15,110,147
Security deposits	–	–	–	9,983,636	9,983,636
	₱2,356,045,162	₱–	₱–	₱9,983,636	₱2,366,028,798
Other financial liabilities					
Accounts and other payables[3]	₱179,857,398	₱–	₱–	₱–	₱179,857,398
Trust receipts payable	–	434,512,338	234,613,868	–	669,126,206
Short-term debt	–	1,630,770,183	2,548,192,535	–	4,178,962,718
	₱179,857,398	₱2,065,282,521	₱2,782,806,403	₱–	₱5,027,946,322

[1]*Excluding receivables collectable through salary deduction and subject to employee liquidation totaling to ₱7,171,383.*
[2]*Excluding non-financial receivables amounting to ₱44,905,649.*
[3]*Excluding statutory liabilities amounting to ₱2,323,338.*

Credit Lines

The Company has various open credit lines with different financial institutions as of May 31, 2017 and 2016 (see Notes 14, 15, and 16). These credit lines are short-term and available upon withdrawal.

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 counter parties 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:

	2017	2016
Retail Stores	**48.00%**	38.00%
DA-Regional Field Unit	**30.00**	24.00
MAO	**19.00**	26.00
Others	**3.00**	12.00
Total	**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, 2017 and 2016.

	2017	2016
Loans and receivables		
Cash		
Cash in banks[1]	**₱236,938,685**	₱341,322,803
Receivables		
Trade receivables[2]	**2,707,311,308**	1,978,081,471
Non-trade receivables [3]	**21,352,313**	15,110,147
Receivables from employees[4]	**8,157,134**	846,910
Security deposits	**12,180,959**	9,983,636
Total	**₱2,985,940,399**	₱2,345,344,967

[1]*Excluding cash on hand amounting to ₱4,826,500 and ₱4,683,831 on May 31, 2017 and 2016, respectively.*
[2]*Excluding allowance for doubtful accounts amounting to ₱27,650,000 and ₱16,000,000 on May 31, 2017 and 2016, respectively.*
[3]*Excluding non-financial asset amounting to ₱118,447,147 and ₱44,905,649 as of May 31, 2017 and 2016, respectively with allowance for doubtful accounts amounting to ₱8,350,000 and nil as of May 31, 2017 and 2016, respectively.*
[4]*Excluding receivables collectable through salary deduction and subject to employee liquidation totaling to ₱13,182,902 and ₱7,171,383 on May 31, 2017 and 2016, respectively.*

The table below summarizes the credit quality of the Company's financial assets as of May 31, 2017 and 2016:

2017

	Neither past due nor impaired			**Past due or**	
	Low Risk	**Average Risk**	**High Risk**	**Impaired**	**Total**
Cash (excluding cash on hand amounting ₱4,826,500)	**₱236,938,685**	**₱–**	**₱–**	**₱–**	**₱236,938,685**
Receivables					
Trade receivables	**2,707,311,308**	**–**	**–**	**27,650,000**	**2,734,961,308**
Non-trade receivables	**13,002,313**	**–**	**–**	**8,350,000**	**21,352,313**
Receivables from employees	**21,340,036**	**–**	**–**	**–**	**21,340,036**
Security deposits	**8,620,959**	**–**	**–**	**3,560,000**	**12,180,959**
	₱2,987,213,301	**₱-**	**₱-**	**₱39,560,000**	**₱3,026,773,301**

2016

	Neither past due nor impaired			Past due or	
	Low Risk	Average Risk	High Risk	Impaired	Total
Cash (excluding cash on hand amounting ₱4,683,831)	₱341,322,803	₱–	₱–	₱–	₱341,322,803
Receivables					
Trade receivables	1,978,081,471	–	–	16,000,000	1,994,081,471
Non-trade receivables	15,110,147	–	–	–	15,110,147
Receivables from employees	8,018,293	–	–	–	8,018,293
Security deposits	9,983,636	–	–	–	9,983,636
	₱2,352,516,350	₱–	₱–	₱16,000,000	₱2,368,516,350

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.

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, 2017, 2016 and 2015, trust receipts payable and short-term debt 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 equivalent are as follows:

	2017			2016
	In US Dollar[1]	**In Philippine Peso**	In US Dollar[2]	In Philippine Peso
Financial Assets				
Cash	**$384,728**	**₱19,174,848**	$143,534	₱6,710,193
Trade Receivables	**327,145**	**16,304,907**	643,847	30,099,863
Total Financial Assets	**$711,873**	**₱35,479,755**	$787,381	₱36,810,056
Financial Liability				
Trade payables	**$103,413**	**₱5,154,103**	$991,657	₱46,359,968
Net foreign currency denominated assets (liability)	**$608,460**	**₱30,352,652**	($204,276)	(₱9,549,912)

[1] *The exchange rate used was ₱49.84 to US$1.00*
[2] *The exchange rate used was ₱46.75to US$1.00*

The Company's US Dollar denominated sales approximates 1.00% and 3.00% in 2017 and 2016, 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, 2017 and 2016. 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
2017	**USD**	**+0.20%**	**(₱59,741)**
		-0.20%	**59,741**
2016	USD	+0.11%	(₱10,575)
		-0.11%	10,575

The Company determined the reasonably possible change in foreign currency using the two (2) years volatility of USD to Philippine Peso using Philippine Dealing Exchange closing rate.

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

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
Financial instruments 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 debt approximate their fair values.

Fair Value Hierarchy
As of May 31, 2017 and 2016, the Company has no financial asset and liability measured at fair value. During the reporting periods ended, May 31, 2017 and 2016, there were no transfer between Level 1 and Level 2 measurements, and no transfers into and out of Level 3 fair value measurements.

28. Related Party Transactions

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 related parties as of May 31 follow:

2017

	Relationship	Transaction	Amount	Outstanding Balance	Terms	Conditions
SP Properties, Inc. (Note 10)	Entity under common control	Lease	**₱233,494,592**	**₱–**	On demand	Unsecured;noninterest-bearing
Sterling Paper Products Enterprise	Entity under common control	Sales	**4,977,942**	**4,977,942**	On demand	Unsecured;noninterest-bearing
Central Bookstore	Entity under common control	Sales	**3,108,183**	**3,108,183**	On demand	Unsecured;noninterest-bearing
Mica-Genero Abundans Foundation, Inc. (MGAFI)	Entity under common control	Sales	**201,500**	**201,500**	On demand	Unsecured; noninterest-bearing
DM Rice Surprise	Entity under common control	Sales	**1,421,805**	**–**	On demand	Unsecured; noninterest-bearing
Mart One	Entity under common control	Sales	**101,966**	**–**	On demand	Unsecured; noninterest-bearing
			₱243,305,988	**₱8,287,625**		

2016

	Relationship	Transaction	Amount	Outstanding Balance	Terms	Conditions
DM Rice Surprise	Entity under common control	Sales	₱1,477,219	₱–	On demand	Unsecured; noninterest-bearing
Central Bookstore	Entity under common control	Sales	458,094	–	On demand	Unsecured; noninterest-bearing
Mica-GeneroAbundans Foundation, Inc. (MGAFI)	Entity under common control	Sales	403,669	–	On demand	Unsecured; noninterest-bearing
Mart One	Entity under common control	Sales	195,189	–	On demand	Unsecured; noninterest-bearing
			₱2,534,171	₱–		

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, 2017 and 2016.

Compensation of key management personnel
Key management personnel of the Company include all officers with rank of Vice-Presidents, and Senior Vice-Presidents.

The summary of compensation of key management personnel included under Operating expenses account in the statements of comprehensive income follows:

	2017	2016	2015
Salaries and other short-term employee benefits	**₱5,638,131**	₱5,471,843	₱5,312,469
Pension expense	**1,235,924**	1,373,884	1,305,651
	₱6,874,055	₱6,845,727	₱6,618,120

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, 2017, 2016 and 2015. 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 2017 and 2016, 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, Davao Oriental, Nueva Ecija. The lease term ranges from one cropping season to two cropping season. The monthly rent payment on these operating lease ranges from ₱ 35,000 to ₱40,000 per hectare per cropping season.

The minimum aggregate rental commitments within one year amounts to ₱7,888,070 and ₱14,284,905 in 2017 and 2016, respectively.

Warehouse agreements
The Company entered into lease agreements which cover the lease of warehouses for the storage of hybrid rice palay/seeds in Bulacan, Laguna, Davao Oriental and Nueva Ecija. The monthly rent payment on these operating leases except Bulacan warehouse ranges from ₱30,000 to ₱45,000. Monthly rent payment for Bulacan warehouse is ₱1,790,420.

The minimum aggregate rental commitments under these operating leases follow:

	2017	2016
Within one (1) year	**₱209,206,208**	₱10,000,000
After one (1) year but not more than five (5) years	**6,600,000**	4,700,000
	₱215,806,208	₱14,700,000

Contract growing agreements
The Company has various contractual commitments with contract growers to buyback all hybrid rice palay produced by the latter. Contract terms range 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 15 kilos of first filial (F1) 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; and
c. Buyback all the SL-7H and SL-9H palay produced by contract grower on the contracted area(s) at the prevailing market price plus an agreed premium.

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

<u>Memorandum of Agreement for Hybrid Seed Production in Myanmar</u>
In 2016, the Company entered into a Memorandum of Agreement (MOA) with two other Myanmar-based companies and one company from the Philippines and invested ₱7.30 million in the form of cash and seeds. Parties have agreed to pursue a Joint Venture (JV) whereby hybrid rice will be planted and/or processed, and hybrid seeds will be multiplied, cultivated and/or processed in Myanmar using technology developed by the Company.

In 2017, the Company's investment in Myanmar increased by ₱5.51 million. This includes shares pooled out from one of the parties to the agreement. The Company also recognized its share in net loss in its undivided interest in the unincorporated joint venture amounting to ₱12.47 million and nil in 2017 and 2016, respectively. As of May 31, 2017 and 2016, deposits made for future investment by the Company to the unincorporated joint venture presented under "Other noncurrent assets" in the statement of financial position amounted to ₱0.38 million and ₱7.33 million, net of the shares in losses, respectively.

Collaboration Agreement for Hybrid Seed Production in Bangladesh
The Company entered into Collaboration agreement with EnP Solution Limited (ESL) on SL-18H seeds production, marketing and development in Bangladesh. The significant commitments of the Company under its agreement with ESL are as follows:

a. Contract period of the agreement shall be three years from June 1, 2017 to May 30, 2020.
b. This three years period is considered as trial production and F1 seeds promotion period for SL-18H in Bangladesh.
c. By the end of the current contract period, a new contract agreement may be signed for another business period of five (5) years to replace the initial contract.
d. The Company will provide subsidized price for exporting F1 hybrid rice seeds SL-18H. The minimum target are as follows:

Year	Minimum quantity of SL-18H F1 seeds exported
2017-2018	20,000 Kg
2018-2019	30,000 Kg
2019-2020	40,000 Kg

30. **Events After Reporting Date**

On September 4, 2017, the SEC has approved the following amendments to the Company's Article of Incorporation for the increase in authorized capital stock from ₱2,000,000,000 divided into 2,000,000,000 shares of the par value of ₱1.00 each to ₱2,070,000,000 divided into 2,000,000,000 common shares and 70,000,000 preferred shares both with the par value of ₱1.00 each.

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 ₱4,006,398,339 for the year ended May 31, 2017 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, 2017 follows:

Expanded withholding taxes	₱10,475,750
Withholding taxes on compensation and benefits	5,190,225
	₱15,665,975

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	₱1,361,292
Real estate taxes	2,225,741
Others	321,445
	3,908,478
Operating expenses:	
DST	26,532,709
Gross receipts tax	569,533
License and permits fees	3,102,521
Others	1,615,551
	31,820,314
	₱35,728,792

DST paid/accrued on the following transactions are:

Transactions	Amount	DST Thereon
Loan instruments	₱5,129,786,910	₱26,391,398
Trust receipts	573,592,825	44,630
Lease	28,723,744	96,681
	₱5,732,103,479	**₱26,532,709**

Tax Assessments and Cases
In March 2017, the Company paid ₱459,519 to the Bureau of Internal Revenue, inclusive of basic taxes and penalties for income tax deficiency covering taxable fiscal year 2015.

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

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6760 Ayala Avenue
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Philippines

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

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
SL Agritech Corporation
Sterling Place Building
2302 Chino Roces Avenue Extension
Makati City

We have audited the financial statements of SL Agritech Corporation (the Company) as of and for the years ended May 31, 2017 and 2016, on which we have rendered the attached report dated September 9, 2017.

In compliance with Securities Regulation Code Rule No. 68, we are stating that the above Company has five (5) stockholders owning one hundred (100) or more shares each.

SYCIP GORRES VELAYO & CO.

Jennifer D. Ticlao

Jennifer D. Ticlao
Partner
CPA Certificate No. 109616
SEC Accreditation No. 1507-A (Group A),
September 24, 2015, valid until September 23, 2018
Tax Identification No. 245-571-753
BIR Accreditation No. 08-001998-110-2015,
March 4, 2015, valid until March 3, 2018
PTR No. 5908768, January 3, 2017, Makati City

September 9, 2017

SGV
Building a better working world

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INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
SL Agritech Corporation
Sterling Place Building
2302 Chino Roces Avenue Extension
Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of SL Agritech Corporation (the Company) as at May 31, 2017 and 2016 and for each of the three years in the period ended May 31, 2017, included in this Form 17-A, and have issued our report thereon dated September 9, 2017. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

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

The Stockholders and the Board of Directors
SL Agritech Corporation
Sterling Place Building
2302 Chino Roces Avenue Extension
Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of SL Agritech Corporation (the Company) as at and for the fiscal year ended May 31, 2017, 2016 and 2015 and have issued our report thereon dated September 9, 2017. Our audits was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedules of the Statement of Comprehensive Income and the Reconciliation of Net Income per Books against Tax-exempt Net Income of the Company are the responsibility of the Company's management. These schedules are presented for the purpose of complying with the requirements of the Board of Investments and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements of the Company and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements of the Company taken as a whole.

SYCIP GORRES VELAYO & CO.

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September 9, 2017

SL AGRITECH CORPORATION

INDEX TO COMPANY FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

SUPPLEMENTARY SCHEDULES

SL AGRITECH CORPORATION
SUPPLEMENTARY SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS

List of Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] and Philippine Interpretations Committee (PIC) Q& As effective as of May 31, 2017:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of May 31, 2017		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing costs			✓
	Amendments to PFRS 1: Meaning of 'Effective PFRs'			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS2: Definition of Vesting Condition			✓
	Amendments to PFRS 2: Share-based Payment, Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
	Amendments to PFRS 3: Accounting for Contingent Consideration and Measurement in a Business Combination			✓
	Amendments to PFRS 3: Scope Exceptions for Joint Arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4: Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4.			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendments to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of May 31, 2017		**Adopted**	**Not Adopted**	**Not Applicable**
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities			✓
	Amendments to PFRS 7: Servicing Contracts			✓
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures*			✓
	Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments	**Not early adopted**		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	**Not early adopted**		
	Amendments to PFRS 9: Financial Instruments	**Not early adopted**		
PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 10, Investment Entities: Applying the Consolidation Exception			✓
	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisition of Interest in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PFRS 12: Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014 – 2016 Cycle)			✓
PFRS 13	Fair Value Measurement	✓		
	Amendments to PFRS 13: Short-term receivable and payables			✓
	Amendments to PFRS 13: Portfolio Exception			✓
PFRS 15	Revenue from Contracts with Costumers	**Not early adopted**		
PFRS 16	Leases	**Not early adopted**		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of May 31, 2017		**Adopted**	**Not Adopted**	**Not Applicable**
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the Requirements for Comparative Information	✓		
	Presentation of Financial Statements – Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS7: Statements of Cash Flows. Disclosure Initiative	**Not early adopted**		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
	Amendments to PAS 12: Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Classification of Servicing Equipment			✓
	Amendment to PAS 16: Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization			✓
	Amendment to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendment to PAS 16: Agriculture: Bearer Plant			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			✓
	Amendment to PAS 19: Defined Benefit Plans: Employee Contribution			✓
	Amendment to PAS 19: Discount Rate: Regional Market Issue			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of May 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Amendment to PAS 27: Separate Financial Statements			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014-2016 Cylce)			✓
	Amendments to PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Tax effect of Distribution to Holders of Equity Instrument			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities*			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Amendments to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities	**Not Early Adopted**		
	Amendment to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'			✓
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36, Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets			✓
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization			✓
	Amendment to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of May 31, 2017		**Adopted**	**Not Adopted**	**Not Applicable**
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39, Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property			✓
	Amendment to PAS 40: Interrelationship between PFRS 3 and PAS 40			✓
	Amendments to PAS 40: Investment Property, Transfers of Investment Property			✓
PAS 41	Agriculture	✓		
	Amendments to PAS 41: Agriculture: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✓
IFRIC 8	*Scope of PFRS 2*			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	*Interim Financial Reporting and Impairment*			✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of May 31, 2017		Adopted	Not Adopted	Not Applicable
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

SL AGRITECH CORPORATION

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

May 31, 2017

Unappropriated retained earnings, beginning	₱1,143,604,399
Adjustments:	
Accumulated fair value gain on agricultural produce – beginning balance	247,902,556
Unappropriated retained earnings, as adjusted to available for dividend distribution, beginning	895,701,843
Net income during the year closed to retained earnings	509,225,660
Less:	
Movement in fair value gain on agricultural produce and biological assets	155,929,466
Unrealized foreign exchange gain – net (except those attributable to Cash and Cash Equivalents)	691,332
Dividends declared during the year	975,000,000
Movement in deferred tax asset affecting profit and loss in 2017	–
Appropriations of retained earnings during the year	–
Unappropriated retained earnings available for dividend distribution, end	**₱273,306,705**