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

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

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

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

4. SEC Identification Number **PW0000727**

5. BIR Tax Identification Code **000229931**

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

7. Registrant's telephone number, including Area Code **(632) 8818.62.70**

8. **January 21, 2020, 10:00 A.M., Luisita Golf & Country Club, San Miguel, Tarlac City**
   Date, time and place of the meeting of security holders

9. Approximate date on which the Information Statement is first to be sent or given to Security Holders **On or before December 20, 2019**

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

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Shares	**282,538,760**

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

    Yes [√] **No [ ]**

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

    Philippine Stock Exchange **Common**

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

CENTRAL AZUCARERA DE TARLAC, INC.
Information Statement

A. GENERAL INFORMATION

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

The Annual Stockholders' Meeting of Central Azucarera de Tarlac (the "Company") is scheduled to be held on January 21, 2020, 10:00 a.m. at the Luisita Golf & Country Club, San Miguel, Tarlac City.

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

The approximate date on which this Information Statement shall be sent to stockholders is on or before December 20, 2019.

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

Item 2. Dissenters' Right of Appraisal

Sections 36, 39, 41 and 80 of the Revised Corporation Code enumerates the instances when a stockholder of any corporation may exercise his appraisal right. These are:

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

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

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

4. In case of merger or consolidation.

5. In case the corporation invests its funds in any other corporation, business, or for any purpose other than its primary purpose.

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

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

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

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

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

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

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

There are 282,538,960 outstanding shares entitled to be voted at the annual stockholders' meeting. The number of votes due a security holder will depend on the number of shares he/she owns. Per share of stock is equivalent to one vote.

b) Record Date.

Only stockholders of record as of January 1, 2020 are entitled to vote during the annual stockholders' meeting.[2]

c) Voting Procedures of Directors.

In the election of directors, every stockholder is entitled to vote the number of shares standing in his/her name on the books of the registrant and said stockholder may vote such number of shares for as many persons as there are directors to be elected or he/she may cumulate said shares and give one (1) candidate as many votes as the number of directors to be elected multiplied by the number of his/her shares shall equal or he/she may distribute them on the same principle among as many candidates as he/she shall see fit, provided that the total number of votes cast by him/her shall not exceed the number of shares owned by him/her multiplied by the whole number of directors to be elected.

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

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

As of 30 November 2019, the Security Owners of Certain Record and Beneficial Owners of more than 5% is set forth in the table below:

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

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Citizenship	Name of Beneficial Ownership and Relationship with Record Owner	Number of Shares Held	%
Common	PCD Nominee Corporation 37/F Enterprise Tower 1, Ayala Avenue, Makati City	Filipino	CAT Resource & Asset Holdings Inc. (CRAHI) and various individuals	260,483,004	92.19
**Beneficial ownership through PCD Nominee Corporation*					
Common	CAT Resource & Asset Holdings Inc. (CRAHI) 3/F First Lucky Place 2259 Pasong Tamo Extension, Makati City	Filipino	Martin Ignacio P. Lorenzo[3] 102,876,250 Fernando Ignacio C. Cojuangco[4] 98,841,890	201,718,140	71.40
Common	Luisita Trust Fund; Central Azucarera de Tarlac, Inc., San Miguel, Tarlac City	Filipino	Luisita Trust Fund	46,359,920	16.41

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

(ii) Security Ownership of Management.

As of 30 November 2019, the shareholdings of the incumbent directors and officers are set forth below:

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

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

Common	Janette L. Peña	0	-	Filipino	0.00%
Common	Addison B. Castro	0	-	Filipino	0.00%

The aggregate ownership of all directors and officers is 201,724,160 shares or 71.40% of the total shares outstanding.

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

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

e) Changes in Control.

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

Item 5. Directors and Executive Officers

As of 30 November 2019, the directors and executive officers of the Company and the number of years they have served as such are as follows:

Name	Position	Term / Period Served
Martin Ignacio P. Lorenzo	Chairman of the Board & CEO	October 15, 2014 up to present
Fernando Ignacio C. Cojuangco	President & COO	January 31, 2012 up to present
Marco P. Lorenzo	Director	October 15, 2014 up to present
Vigor D. Mendoza II	Director	October 15, 2014 up to present
Fernan Victor P. Lukban	Director	October 15, 2014 up to present
	Treasurer	November 5, 2019 up to present
Renato B. Padilla	Independent Director	October 15, 2010 up to present
Benjamin I. Espiritu	Independent Director	October 29, 2013 up to present
Cecile D. Macaalay	Treasurer	October 15, 2014 up to November 5, 2019
	Chief Financial Officer	September 10, 2019 up to present
Janette L. Peña	Corporate Secretary	October 15, 2014 up to present
Addison B. Castro	Assistant Corporate Secretary	October 15, 2014 up to present

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

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

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

Martin Ignacio P. Lorenzo, age 54, Filipino, is currently the Chairman & Chief Executive Officer of CAT. Concurrently, he is also the chairman and chief operating officer of CAT Resource & Asset Holdings, Inc. He holds the same position in the investment holding company of CAT, First Lucky Holdings Corporation, and its subsidiaries, namely, Restaurant Concepts Group, Inc., Amang Rodriguez Holdings, Inc. Cocosorbetero Holdings, Inc., Hospitality School Management Group, Inc. Mr. Lorenzo is likewise the Chairman and Chief Executive Officer of Marlor Investments Corporation and Holds the same position in its subsidiaries: Blue Mountains Corporation and LAC-DC. He is also the Chairman and President of First Lucky Property Corporation. He currently holds position in other investment companies, namely, St. Tropez Holdings Corporation and Sierra Madre Capital. He is a Director in Familia Lorenzo Foundation, Incorporated. Mr. Lorenzo has over 20 years of extensive experience in investments and operations in various industries including agriculture, manufacturing and food retail. He obtained his BS Management Engineering degree at Ateneo de Manila University in 1986. He obtained his Master's in Business Administration in Wharton Graduate School, University of Pennsylvania, in 1990.

Fernando C. Cojuangco, age 57, Filipino is currently the President and Chief Operating Officer of the Company, he holds the same position in CAT Resource & Asset Holdings Inc. and is also the Chairman and President of Liberty Insurance Corporation. He is the Chairman & Chief Operating Officer of North Star Estate Holdings. A lawyer by profession, he is a principal partner in MALCOLM Law Offices. Mr. Cojuangco has extensive experience in agriculture, real estate and insurance industries. He is a holder of Bachelor of Arts degree in Economics from the University of California and Member of the Omicron Delta Epsilon Honors Society. He obtained his Bachelor of Laws degree with honors from the Ateneo de Manila University.

Marco P. Lorenzo, age 58, Filipino, is currently Director and Consultant of the Company handling the Cane Supply Operations. He is also currently engaged by Del Monte Philippines as consultant for plantation Operations. He was the Managing Director of the Wallco Pastoral NT in Australia. He also served as the Senior Vice President for Operations of the Del Monte Philippines for nine years. He held the position of Senior Group Manager of Lapanday Agricultural Development Corporation for seven years. He graduated from Ateneo de Manila University in 1982 with a Bachelor of Arts degree in Interdisciplinary Studies. He obtained his Bachelor Degree in Agricultural Science and Management from the University of California in 1985.

Vigor D. Mendoza II, age 59 Filipino, a Director of the Company. He is also lawyer by profession and is a principal partner in MALCOLM Law Offices heading the Practice in Public Utility and Property and Energy Law. He is likewise a Director of CAT Resource & Asset Holdings Inc. Mr. Mendoza was a former Commissioner of the Land Transportation Franchising & Regulatory Board under the Department of Transportation and Communication. He was a former Congressman representing the 1-Utak Party List under the 14th Congress of the Republic of the Philippines. He graduated with a degree of Bachelor of Arts in Economics from the Ateneo de Manila University in 1983. He obtained his Bachelor of Laws degree from the Ateneo de Manila University in 1988.

Fernan Victor P. Lukban, age 58, Filipino, is a Director and Treasurer of the Company. He is one of the top Strategy and Family Business consultants in the Philippines. He is a founding fellow at the institute of Corporate Directors in Manila and is also an International Fellow of the Australian Institute of Company Directors. He holds an undergraduate degree in Engineering from

De La Salle University and graduate degree in Industrial Economics from the Center for Research & Communication, now University of Asia & the Pacific, Manila. He also has a Master's degree in Business Administration from IESE, Barcelona, Spain.

Renato B. Padilla, age 73, Filipino, is an Independent Director of the Company, He is a lawyer by profession and is currently the General Manager of the Philippine International Convention Center (PICC) in Manila. He was formerly an Undersecretary of the Department of Agrarian Reform from 1989-1995.

Benjamin I Espiritu Ph. D, age 67, Filipino, is an Independent Director of the Company. He is a Practicing Certified Public Accountant, President & CEO of Change Management International, Inc. and Chairman of Banco de Mindoro, Inc. He was the Dean of Far Eastern University Makati, and Chair of the Accounting, Finance, Business and Governance Department of De La Salle University Graduate School of Business. He served as Governor of the Province of Oriental Mindoro. He earned his Ph.D., Major in Public Administration from the University of Santo Tomas, Master in National Security Administration from the National Defense College of the Philippines, and Master's in Business Administration and Bachelor of Science in Commerce, Major in Accounting degrees from De La Salle University.

Cecile D. Macaalay, age 51, Filipino, is the Chief Financial Officer of the Company. She is a practicing Certified Public Accountant. She is currently the Chief Finance Officer of First Lucky Holdings Corporation and the Director of its subsidiaries such as Restaurant Concepts Group, Inc., LAC-DC and Cocosorbetero Holdings, Inc. She is also the Treasurer of CAT Resource & Asset Holdings, Inc. and Assistant Treasurer of Amang Rodriguez Holdings, Inc. She is also serving as the Director of First Lucky Property Corporation and its numerous subsidiaries. She obtained her Bachelor of Science Degree in Business Administration and Accountancy at University of the Philippines in 1990.

Janette L Peña, age 60, Filipino, is the current Corporate Secretary the Company. She is also the Corporate Secretary of CAT Resource & Asset Holdings Inc. and First Lucky Holdings Corp. Ms. Peña is an Independent Director of The Manufacturer's Life Insurance Co. (Phils), Inc. Manulife Financial Plans, Inc., Manulife Chinabank Life Assurance Corporation, China Oceans Philippines, Inc., and Corporate Secretary for Macondray Philippines Co., Inc., other subsidiaries, among others. Ms. Peña graduated from the University of the Philippines with a Bachelor of Science degree in Business Economics (Cum laude). She received her Bachelor of Laws from the University of the Philippines College of Law (Cum laude) and ranked first in the 1985 Philippine Bar Exams. She completed her Master's of Laws in Harvard Law School.

Addison B. Castro, age 56, Filipino, is the Compliance Officer and Assistant Corporate Secretary of the Company. Atty. Castro is a practicing lawyer and a Principal Partner of Gatchalian and Castro Law Offices. He was a professor at the Lyceum of the Philippines University, College of Law from 2008 to 2017. He graduated with a degree of Bachelor of Science in Applied Economics at the De La Salle University in 1983. He obtained his Bachelor of Laws degree from the Ateneo de Manila University in 1988.

Family Relationships.

Mr. Marco P. Lorenzo a Director, is the brother of Mr. Martin P. Lorenzo, the Chairman of the Board and CEO. There are no other family relationships among the directors and officers of the Company.

Identification of Significant Personnel

Mr. Noel Payongayong, Resident Manager, is key personnel who is expected to make significant contribution to the business of the registrant.

Involvement in Certain Legal Proceedings

To the best knowledge of the Company, as of the date of this report, none of its directors and officers have been involved during the past five (5) years in any legal or administrative proceedings in the Philippines or elsewhere, which are material to an evaluation of the ability or integrity of any of the said directors, nominee for election as director, or executive officers; also, none of them have been convicted by final judgment in any criminal proceeding or being subject to a pending criminal proceeding, or being subject to any order, judgment or decree of any competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities; nor being found in a civil action to have violated a securities or commodities law.

Certain Relationships and Related Transactions

In the normal course of its business, the Company had transactions with related parties which are disclosed in the notes to the financial statements. Please see Note 27 (Related Party Transactions) of the Notes to Interim Financial Statements as of September 30, 2019 (1st Quarter of Fiscal Year July 1, 2019 – June 30, 2020) a copy of which is attached as *Annex "A".*

The Company has adopted a Policy on Material Related Party Transactions in compliance with the Securities and Exchange Commission's (SEC) Memorandum Circular No. 10, Series of 2019. There have been no material related party transactions as of the years ended June 30, 2019 and June 30, 2018, and no action will be taken at the annual stockholders' meeting with respect to any material related party transaction requiring the approval or ratification of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock of the Company.

Resignation of Director

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

Item 6. Compensation of Directors and Executive Officers

Summary Compensation Table

FY 2018 – 2019						
Name	**Position**	**Salary & Professional Fees**	**Bonus**	**Transportation**	**Per Diem**	**Total**
Martin Ignacio P. Lorenzo	Chairman of the Board & CEO	₱17,871,550	₱4,797,467	₱2,629,828	₱220,500	₱25,519,345
Fernando Ignacio C. Cojuangco	President & COO					
Marco P. Lorenzo	Director					
Marcelo P. Karaan II	VP for Human Resources					
All Other Officers & Directors as a group						
Total		₱17,871,550	₱4,797,467	₱2,629,828	₱220,500	₱25,519,345

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

Estimated Compensation to be paid in the ensuing fiscal year to the Company's Chief Executive Officer (Martin Ignacio P. Lorenzo) and other highly compensated executives and officers (Fernando C. Cojuangco, Marco P. Lorenzo) is Php28,637,401.

The Director's Compensation is in accordance with Section 4, Article III of the Company's By-Laws, which provides:

> "5. DIRECTOR'S COMPENSATION – The Board of Directors shall receive a fee of up to three percent (3%) of the net profits of the Corporation which shall be distributed

> proportionately among the directors; <u>and each director shall receive a reasonable per diem in an amount to be determined by the Board of Directors for every board meeting actually attended. Nothing herein contained shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefor,</u> **<u>subject to the requirements of the Corporation Code.</u>** (*As amended by the Board of Directors on 11 March 2014 and the Stockholders on 22 April 2014; and further amended by the Board of Directors on 19 April 2016 and the Stockholders on 15 June 2016.*)"

There are no any other arrangement including consulting control. Further, there are no warrants and options outstanding as well as no warrants and options repriced.

Except for the election of directors, no action is to be taken at the annual stockholders' meeting with regard to (a) any bonus, profit sharing or other compensation plan, contract or arrangement in which any director, nominee for election as a director or executive officer will participate; (b) any pension or retirement plan in which any such person will participate, or (c) the granting or extension to any such person of any option/s, warrant/s or right/s to purchase any securities.

Item 7. Independent Public Accountant

a) The accounting firm of Sycip Gorres Velayo & Co. (SGV) is the independent public accountant of the Company for fiscal year 2018-2019. There have been no disagreements with SGV on any matter relating to accounting principles or practice, financial statement disclosure or auditing scope or procedure. The same accounting firm is being recommended for re-appointment as the external auditor of the Company.

b) Pursuant to SEC memorandum Circular No. 8, Series of 2003, said firm assigns different Engagement Partners to the Company. Ms. Maria Veronica Andresa R. Pore has been the engagement or signing partner since fiscal year 2015-2016.

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

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

	FY 2018 – 2019	FY 2017 – 2018
Audit Fees and Other Related Services	₱1,200,000.00	₱1,120,000.00

Item 8. Compensation Plans

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

C. ISSUANCE AND EXCHANGE OF SECURITIES

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

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

Item 10. Modification or Exchange of Securities

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

Item 11. Financial and Other Information

The Company's interim financial statements and other financial information as of September 30, 2019 and the Management's Discussion and Analysis of Financial Condition and Result of Operation for the same period, which are hereby incorporated by reference, are contained in the Company's Quarterly Report (SEC Form 17-Q) for the quarterly period ended September 30, 2019 (1st Quarter of Fiscal Year July 1, 2019 – June 30, 2020) a copy of which is attached as *Annex "A".*

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

Item 12. Mergers, Consolidation, Acquisitions and Similar Matters

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

Item 13. Acquisition or Disposition of Property

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

Item 14. Restatement of Account

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

D. OTHER MATTERS

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

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

a) Minutes of the Annual Meeting of Stockholders held on January 29, 2019;[5]

b) Annual Report and the Audited Financial Statements for the Fiscal Year ending June 30, 2019;[6]

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

d) Appointment of SGV as External Auditor.

Item 16. Matters Not Required to be Submitted

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

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

There is no amendment to the Company's Articles of Incorporation, By-Laws or any other documents to be submitted to a vote of the stockholders.

Item 18. Other Proposed Action

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

Item 19. Voting Procedure

Every stockholder shall be entitled to vote, in person or by proxy, for each share of stock held by him.

In all items for approval except election of Members of the Board of Directors, each share of stock entitles its registered owner to one (1) vote.

In the election of directors, every stockholder is entitled to vote the number of shares standing in his name on the books of the Company and said stockholder may vote such number of shares

[5] Copies of the minutes of the annual meeting of stockholders held on January 29, 2019 which have been uploaded to the Company's website, will be provided by the Company during the stockholders' meeting.

[6] The Annual Financial Statements for the Fiscal Year ending June 30, 2019 is contained in the Annual Report which had been uploaded to the Company website, and a copy of which will be provided by the Company upon written request of a security holder.

for as many persons as there are directors to be elected or he may cumulate said shares and give one (1) candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal or he may distribute them on the same principle among as many candidates as he shall see fit, provided that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected. The election is by ballot, unless there is a motion duly made and seconded that the election be made viva voce.

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

Management Report

Business and General Information

The Company's Business and General Information, a copy of which is attached as *Annex "B"*, provides for the brief description of the general nature and scope of the business of the Company, which is hereby incorporated by reference. The same can be found in the Company's Annual Report (SEC Form 17-A), Part I, for the fiscal year ended June 30, 2019.

Management's Discussion and Analysis with Plan of Operation

Management's Discussion and Analysis of Financial Condition and Result of Operation for the same period, which are hereby incorporated by reference, is contained in the Company's Quarterly Report (SEC Form 17-Q) for the quarterly period ended September 30, 2019 (1st Quarter of Fiscal Year July 1, 2019 – June 30, 2020) a copy of which is attached as *Annex "A"*.

Market Information

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

Market Information				
Fiscal Year	**Quarter**	**Period**	**High**	**Low**
2017-2018	1Q	July – September	29.70	14.00
	2Q	October – December	23.00	17.08
	3Q	January – March	51.02	14.40
	4Q	April – June	37.80	21.30
2018-2019	1Q	July – September	26.00	17.20
	2Q	October – December	19.70	14.30
	3Q	January – March	19.00	14.60
	4Q	April – June	18.70	14.50
2018-2019	1Q	July – September	19.74	14.72
	2Q	October – November 28, 2019	19.10	17.20

Corporate Governance

The Company's directors, officers and employees complied with all the leading practices and principles on good corporate governance as embodied in its Manual on Corporate Governance. On 03 May 2017, the Company adopted its new Manual on Corporate Governance for Publicly Listed Companies in accordance with SEC Memorandum Circular No. 19, Series of 2016, which was submitted to the SEC on May 31, 2017. The Board Charter as well as the Charter of the Corporate Governance Committee (which performs the functions of the Nominations and Compensation Committee) and amended Charter of the Audit Committee (which performs the functions of the Board Risk Oversight and Related Party Transactions Committee) was also approved by the Board on May 3, 2017.

Undertaking

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

Likewise, a copy of the Company's quarterly interim unaudited report, for the first quarter of fiscal year 2019-2020, discussion and inclusive of the management analysis, will be provided upon request to the shareholders at the annual stockholders meeting.

SIGNATURE

After a reasonable inquiry and to the best of my knowledge and belief. I certify that the information set forth in this report is true, complete and correct. This report is signed in Makati City on this 17th day of December 2019.

CENTRAL AZUCARERA DE TARLAC

By: [redacted]

ADDISON B. CASTRO
Assistant Corporate Secretary
and Compliance Officer

111182019001140

SECURITIES AND EXCHANGE COMMISSION

SECBuilding,EDSA,Greenhills,MandaluyongCity,MetroManila,Philippines
Tel:(632) 726-0931 to 39 Fax:(632) 725-5293 Email: mis@sec.gov.ph

Barcode Page

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Company Representative

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Company Information

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

Document Information

Document ID	111182019001140
Document Type	17-Q (FORM 11-Q:QUARTERLY REPORT/FS)
Document Code	17-Q
Period Covered	September 30, 2019
No. of Days Late	0
Department	CFD
Remarks	

COVER SHEET

SEC Registration Number

P W 0 0 0 0 0 0 7 2 7

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

(Company's Full Name)

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

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

Contact Person	Company Telephone Number
Cecile D. Macaalay	818- 6270

Fiscal Year (Month / Day)		Annual Meeting (Month / Day)
0 6 / 3 0	**SEC 17-Q Quarterly Report Sept 2019**	0 1 / ANY

Secondary License, If Applicable:

Dept. Requiring this Doc.: CFD

Amended Articles Number/Section:

Total Articles of Borrowing

Total No. of Stockholders	Domestic	Foreign
392		

To be accomplished by SEC Personnel concerned

File Number ______ LCU ______

Document I.D. ______ Cashier ______

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

COVER SHEET

SEC Number **727**

Company TIN **000-229-931**

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

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

818 – 6270
(Company's Telephone Number)

June 30	**last Tuesday of January**
(Fiscal Year Ending) (Month/Day)	Annual Meeting

17 – Q (Quarterly Report – 1st Quarter
Of the Fiscal Year 2019-20 (July to Sept 2019)
(FORM TYPE)

(Amendment Designation, if Applicable)

(Secondary License Type, if any)

Cecile D. Macaalay	**106-950-984-000**	**Apr 11, 1968**
(Company Representative)	(TIN)	(Birth Date)

Do not fill below this line

Cashier	File Number
Central Receiving Unit	Document ID
LCU	

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17 – Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2) (b) THEREUNDER

1. For the quarterly period ended **Sept 30, 2019 (1st Quarter of Fiscal Year July 1, 2019 – June 30, 2020)**
2. Commission Identification Number **727** 3. BIR Tax Identification No **000-229-931**

Central Azucarera de Tarlac, Inc.

4. Exact name of issuer as specified in its charter

Manila, Philippines

5. Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code: [ ] (SEC Use Only)

San Miguel, Tarlac, Tarlac

7. Address of issuer's principal office

818 –6270

8. Issuer's telephone number, including area code

Not applicable

9. Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Section 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common Stock outstanding and amount of debt outstanding
Common	**282, 545, 960**

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

Yes [**X**] No [ ]

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

12. Indicate by check mark whether the registrant:

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

Yes [**X**] No [ ]

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

Yes [**X**] No [ ]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

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

A. Unaudited Balance Sheet as of September 30, 2019 and Audited June 30, 2019 Balance Sheet;

B. Unaudited Statements of Income/(Loss) for the Three (3) Months Ended September 30, 2019 and 2018;

C. Unaudited Statements of Changes in Equity for the Three (3) Months Ended September 30, 2019 and 2018; and

D. Unaudited Statements of Cash Flows for the Three (3) Months Ended September 30, 2019 and 2018.

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

Our discussion in the foregoing sections of this report pertains to the financial condition and results of our company's operations for the three (3) months ended September 30, 2019 in which references are made to results of operations for the same period of the previous year 2018.

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

PART II – OTHER INFORMATION

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

1. SIGNATURES

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

Registrant **CENTRAL AZUCARERA DE TARLAC, INC.**

[redacted]

Signature and Title **Cecile D. Macaalay**
Chief Finance Officer

[redacted]

Signature and Title **Lora May M. Cada**
Finance Manager

Date: November 18, 2019

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

CENTRAL AZUCARERA DE TARLAC AND SUBSIDIARY

The following Management Discussion and Analysis should be read in connection with the submitted Unaudited Consolidated Financial Statements as at and for the three months ended September 30, 2019 and 2018.

Executive Summary

Central Azucarera de Tarlac, Inc. carries out appropriate directives to sustain profitability amidst the incalculable behavior of the sugar industry. As in the past, 1Q of the fiscal year is focused on sugar inventory management and alcohol production as the milling season ushers in.

Revenues for the 1Q fiscal year 2019-2020 originated from the calculated sale of sugar and alcohol, taking a different strategy from last year where revenues predominantly were derived from alcohol sales. As a result, EBITDA improved by 14% standing at negative ₱13.9M despite the decrease in Revenues of 18% at ₱139.5M for same period last year. However, Net Income decreased by 22% to settle at negative ₱62.4M versus negative ₱51.0M in 1Q fiscal year 2018-2019 due to increasing costs of production and coupled by the decreasing sugar prices.

Cost of Goods Sold increased by 9% at ₱154.8M due to increased fuel from production and logistics from moving sugar inventory. Meanwhile, operating expenses for 1Q fiscal year 2019-2020 decreased by 10% at ₱24.5M compared to last year due to the reduction of services engaged and designed to ready the plant for the start of the milling season in November 2019.

The Company is expected to intensify its operations in the current fiscal year. It has committed more resources and engaged collaborative efforts with industry partners to weather the unpredictability of the sugar industry and uncertainty in the government's support and policy in sugar allocation and importation.

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The following table is the Consolidated Statement of Income of the Company and its subsidiary, Luisita Land Corporation ("LLC") for the periods ended September 30, 2019, 2018 & 2017.

(In Million Pesos except for Volume, Price & EPS)	THREE MONTHS ENDED SEPTEMBER 30					
	2019		2018		2017	
VOLUME AND PRICE MATRIX	**Vol**	**P**	**Vol**	**P**	**Vol**	**P**
Raw Sugar Equivalent	29,949	1,554	-	-	97,975	1,350
Tolling of Refined Sugar	-	-	83,900	244	-	-
Alcohol	1,544,000	53	2,136,385	46	1,498,970	51
Carbon Dioxide	39,520	9	-	-	-	-
REVENUE	**139.51**	**100%**	**169.32**	**100%**	**224.01**	**100%**
Sugar	46.55	33%	.00	0%	132.25	59%
Tolling of Refined Sugar	.00	0%	20.48	12%	.00	0%
Alcohol	82.01	59%	98.16	58%	76.45	34%
Molasses	.00	0%	40.49	24%	5.56	2%
Carbon Dioxide	.36	0%	.00	0%	.00	0%
Industrial services	10.60	8%	10.20	0%	9.76	0%
Real estate sale	.00	0%	.00	0%	.00	0%
COST OF GOODS SOLD AND SERVICES	**166.72**	**120%**	**190.88**	**113%**	**278.49**	**124%**
Costs of goods sold	154.84	111%	170.67	101%	262.28	117%
Costs of tolling services	7.29	5%	13.27	8%	11.41	5%
Cost of industrial services	4.60	3%	6.94	0%	4.79	0%
Cost of real estate	.00	0%	.00	0%	.00	0%
GROSS PROFIT (LOSS)	**-27.21**	**-20%**	**-21.56**	**-13%**	**-54.47**	**-24%**
OPERATING EXPENSES	**24.45**	18%	**27.11**	16%	**21.78**	10%
OPERATING PROFIT (LOSS) BEFORE INTEREST AND TAXES	**-51.66**	**-37%**	**-48.67**	**-29%**	**-76.25**	**-34%**
Interest expense and bank charges	**(14.87)**	-11%	**(11.46)**	-7%	**(32.47)**	-14%
Interest income	**.29**	0%	**8.89**	5%	**.69**	0%
Others - net	**3.83**	3%	**.21**	0%	**4.72**	2%
INCOME (LOSS) BEFORE TAX	**-62.41**	**-45%**	**-51.02**	**-30%**	**-103.31**	**-46%**
PROVISION FOR INCOME TAX	**.00**	**0%**	**.00**	**0%**	**.00**	**0%**
NET INCOME (LOSS)	**-62.41**	**-45%**	**-51.02**	**-30%**	**-103.31**	**-46%**
EBITDA	**-13.92**	**-10%**	**-16.28**	**-10%**	**-42.99**	**-19%**
EPS	**(0.22)**		**(0.18)**		**(0.37)**	

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Management Discussion and Analysis of Financial Condition and Results of Operations

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

Revenue	Three Months Ended September 30		
	2019	2018	2017
Revenue (in millions)	139.51	169.32	224.01
% Growth	-18%	-24%	103%

EBITDA	Three Months Ended September 30		
	2019	2018	2017
EBITDA (in millions)	-13.9	-16.3	-43.0
% Growth	14%	62%	32%
EBITDA Margin	-10%	-10%	-19%

Net Income	Three Months Ended September 30		
	2019	2018	2017
Net income (in millions)	-62.41	-51.02	-103.31
% Growth	-22%	51%	11%
Net Income Margin	-45%	-30%	-46%

Earnings per share	Three Months Ended September 30		
	2019	2018	2017
Earnings per share	(0.22)	(0.18)	(0.37)

Milling Recovery	Three Months Ended September 30		
	2019	2018	2017
Milling recovery (Lkg/TC)	n/a	n/a	n/a

Review of Operations

Revenues

REVENUES *In Million Pesos*	2019	2018	Growth	
			Amount	%
Sugar	46.6	.0	46.6	0%
Tolling of Refined Sugar	.0	20.5	-20.5	-100%
Alcohol	82.0	98.2	-16.1	-16%
Molasses	.0	40.5	-40.5	-100%
Industrial services	10.6	10.2	.4	4%
TOTAL	**139.5**	**169.3**	**-30.2**	**-18%**

The Parent Company's revenue accounted for 92% of the Group's consolidated revenues for the three (3) months ended September 30, 2019. While sugar revenues from last year's inventory contributed ₱46.6M of the total posted ₱139.5M, the increment was not enough to offset the decreases in tolling, alcohol and molasses revenue streams. Compared to last period, the Company enjoyed a favorable alcohol price raise of ₱7.0, from ₱46.0 to ₱53.0.

Cost of Goods Sold

Cost of goods sold decreased by ₱15.8M or 9% this reporting period from ₱170.7M to ₱154.8M. The following table summarizes the breakdown of cost of goods sold:

COST OF GOODS SOLD *In Million Pesos*	2019	2018	Increase (Decrease)	
			Amount	%
Salaries, wages bonuses and other benefits	15.6	14.8	.8	5%
Repairs & Maintenance	1.7	1.8	-.1	-8%
Inventory cost,spare parts and supplies	87.0	106.3	-19.3	-18%
Depreciation and amortization	30.0	27.8	2.1	8%
Freight and transportation	2.9	.7	2.1	287%
Security and outside services	8.1	6.6	1.5	22%
Power and steam	5.0	9.4	-4.4	-47%
Insurance	1.3	1.0	.3	29%
Taxes and licenses	.4	.6	-.2	-34%
Others	2.9	1.5	1.4	97%
TOTAL	**154.8**	**170.7**	**-15.8**	**-9%**

- Inventory cost, spare parts and supplies dropped from ₱106.3M to ₱87.0M or ₱10.3M in relation to lower sales volume of alcohol and molasses.
- Freight and transportation posted an increment of ₱2.1M from ₱0.7M to ₱2.9M to mainly account for the movements of sold sugar inventory.
- Power and steam lowered by ₱4.4M or 47% as a function of the production volume.

Cost of Tolling Services

Cost of tolling decreased by ₱6.0M or 45% this period from ₱13.3M to ₱7.3M. The table below summarizes the breakdown of cost of tolling:

COST OF TOLLING SERVICES	2019	2018	Increase (Decrease)	
In Million Pesos			Amount	%
Salaries, wages bonuses and other benefits	2.2	2.2	.0	-1%
Repairs & Maintenance	.3	3.7	-3.4	-91%
Spare parts and supplies	.0	2.7	-2.7	-100%
Depreciation and amortization	2.4	2.9	-.5	-17%
Freight and transportation	.6	.5	.1	17%
Power and steam	1.0	.3	.7	244%
Insurance	.2	.1	.1	89%
Taxes and licenses	.5	.7	-.1	-20%
Others	.1	.1	.1	152%
TOTAL	**7.3**	**13.3**	**-6.0**	**-45%**

- Repairs and maintenance decreased by ₱3.4M from ₱3.7M to ₱0.3M due to programed reduction of off-season repair activities in the refinery operations.
- Programmed non-operation of the refinery in Q1 of FY 2020 caused the spare parts and supplies to reduced by 100%.

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Operating Expenses

The Group's operating expenses totaled ₱24.5M as of reporting period, a ₱2.7M or 10% decrease compared to last year's ₱27.1M. The table below summarizes the breakdown of operating expenses:

OPERATING EXPENSES *In Million Pesos*	2019	2018	Increase (Decrease)	
			Amount	%
Salaries, wages bonuses and other benefits	7.5	7.9	-.4	-5%
Repairs & Maintenance	1.0	1.3	-.3	-23%
Management fees and bonuses	.1	.1	.0	67%
Taxes and licenses	3.4	2.9	.5	16%
Depreciation and amortization	1.0	1.0	.1	6%
Transportation and travel	1.7	3.1	-1.4	-45%
Security and outside services	1.7	1.2	.5	39%
Service Cost	.5	.0	.5	0%
Rentals	.9	1.0	-.1	-10%
Light and water	.3	.1	.2	148%
Entertainment, amusement and recreation	.2	.3	-.1	-33%
Professional fees	4.9	5.4	-.5	-9%
Dues and advertisements	.1	.1	.0	-1%
Postage, telephone and telegram	.1	.2	-.1	-68%
Others	.9	2.4	-1.5	-64%
TOTAL	**24.5**	**27.1**	**-2.7**	**-10%**

- Transportation and travel dropped by ₱1.4M from ₱3.1M to ₱1.7M as part of the Company's continuous efforts to reduce cost.
- Professional fees dropped by ₱0.5M to ₱4.9M from ₱5.4M due to one-time engagements of various professionals in the last reporting period.
- Taxes and licenses increased by ₱0.5M or 16% as a result of increased assessments in local business tax.

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Balance Sheet Accounts

The following table presents the Balance Sheet Statements of the Company as of period ended September 30, 2019 and year ended June 30, 2019.

(In Million Pesos)	AS OF SEP. 30, 2019 UNAUDITED		AS OF JUNE 30, 2019 AUDITED		GROWTH	
	AMT	%	AMT	%	AMT	%
ASSETS						
Current Assets						
Cash and cash equivalents	171.13	3%	213.61	4%	-42.48	-20%
Receivables	1,050.16	18%	1,063.23	18%	-13.07	-1%
Inventories	85.80	1%	153.10	3%	-67.30	-44%
Real estate held for sale and development	988.49	17%	988.49	17%	.00	0%
Other current assets	182.19	3%	159.02	3%	23.16	15%
Total Current Assets	**2,477.77**	**43%**	**2,577.45**	**44%**	**-99.69**	**-4%**
Non-current Assets						
Financial Asset at FVOCI	118.74	2%	118.74	2%	.00	0%
Property, plant and equipment						
Land- at revalued amount	996.79	17%	996.79	17%	.00	0%
Property and equipment- at cost	577.07	10%	560.59	10%	16.47	3%
Investment property	437.26	8%	437.26	8%	.00	0%
Retirement asset	377.87	7%	377.95	6%	-.08	0%
Goodwill	502.42	9%	502.42	9%	.00	0%
Other current assets	267.91	5%	255.64	4%	12.27	5%
Total Non Current Assets	**3,278.07**	**57%**	**3,249.41**	**56%**	**28.66**	**1%**
TOTAL ASSETS	**5,755.83**	**100%**	**5,826.86**	**100%**	**-71.03**	**-1%**
LIABILITIES AND EQUITY						
Current Liabilities						
Trade and other liabilities	275.31	5%	282.60	5%	-7.29	-3%
Current portion of mortgage payable	11.69	0%	11.69	0%	.00	0%
Current portion of notes payable	992.89	17%	992.89	17%	.00	0%
Deposits	12.43	0%	11.95	0%	.49	0%
Income tax payable	15.67	0%	15.67	0%	.00	0%
Total Current Liabilities	**1,308.00**	**23%**	**1,314.80**	**23%**	**-6.80**	**-1%**
Non-current liabilites						
Deferred tax liability	494.74	9%	494.74	8%	.00	0%
Other noncurrent liabilities	12.71	0%	14.52	0%	-1.82	0%
Total Non Current Liabilities	**507.44**	**9%**	**509.26**	**9%**	**-1.82**	**0%**
Equity						
Capital stock	282.55	5%	282.55	5%	.00	0%
Retained earnings						
Appropriated	2,350.00	41%	2,350.00	40%	.00	0%
Unappropriated	119.71	2%	182.12	3%	-62.41	-34%
Revaluation increment	889.43	15%	889.43	15%	.00	0%
Remeasurement gains on defined benefit liability	220.39	4%	220.39	4%	.00	0%
Unrealized cumulative gain on AFS financial	78.33	1%	78.33	1%	.00	0%
Less cost of 720 shares of stock in treasury	-.01	0%	-.01	0%	.00	0%
Total Equity	**3,940.39**	**68%**	**4,002.80**	**69%**	**-62.41**	**-2%**
TOTAL LIABILITIES AND EQUITY	**5,755.83**	**100%**	**5,826.86**	**100%**	**-71.03**	**-1%**

Cash

The decrease in cash by ₱42.5M or 20% is due from cash provided by operating activities of ₱36.5M, ₱62.3M net cash used in investing activities and ₱16.7M net cash used in financing activities.

Inventories

The decrease in ending inventory amounting to ₱67.3M or 44% is mainly due to the sugar inventory sold as of the balance sheet date.

Other current assets

Other current assets increased by ₱23.2M or 15% is due to advances made for land maintenance and suppliers.

Total Stockholders' Equity

The reported net loss for period ended September 30, 2019 amounting to ₱62.4M wholly contributed to the decrease in the Stockholders' Equity.

LIQUIDITY & SOLVENCY RATIO

Current Ratio

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

Asset to Equity Ratio

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

Debt to Equity Ratio

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

Debt Service Coverage Ratio

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

LIQUIDITY & SOLVENCY RATIO	As of September 30, 2019	As of June 30, 2019
Current ratio	1.89	1.96
Asset-to-equity ratio	1.46	1.46
Debt-to-equity ratio	0.46	0.46
Debt Service Coverage Ratio	-0.01	0.54

<u>Plans, Commitments, and events that have material impact on the issuer's liquidity</u>

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

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

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

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

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

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

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CENTRAL AZUCARERA DE TARLAC, INC. AND SUBSIDIARY

INTERIM FINANCIAL STATEMENTS IN THOUSAND PESOS
(WITH COMPARATIVE STATEMENTS)

SEPTEMBER 30, 2019

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

	September 30, 2019 (Interim)	As of June 30, 2019 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	**171,127.26**	213,611.50
Receivables	**1,050,158.23**	1,063,228.22
Inventories	**85,800.17**	153,097.46
Real estate held for sale and development	**988,494.38**	988,494.37
Other current assets	**182,185.16**	159,021.83
Total Current Assets	**2,477,765.20**	2,577,453.39
Noncurrent Assets		
Financial Asset at FVOCI	**118,744.57**	118,744.57
Property, plant and equipment		
Land- at revalued amount	**996,790.40**	996,790.40
Property and equipment- at cost	**577,065.23**	560,593.51
Investment property	**437,264.08**	437,264.08
Retirement asset	**377,873.29**	377,954.88
Goodwill	**502,418.57**	502,418.57
Other non current assets	**267,913.41**	255,643.59
Total Noncurrent Assets	**3,278,069.55**	3,249,409.60
TOTAL ASSETS	**5,755,834.75**	5,826,862.99
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Trade and other liabilities	**275,308.42**	282,596.63
Current portion of notes payable	**992,890.82**	992,890.82
Deposits	**12,434.94**	11,949.59
Income tax payable	**15,674.34**	15,674.34
Other current liabilities	**11,691.25**	11,691.25
Total Current Liabilities	**1,307,999.76**	1,314,802.62
Noncurrent Liabilities		
Deferred tax liability	**494,735.56**	494,735.56
Other noncurrent liabilities	**12,706.25**	14,523.39
Total Noncurrent Liabilities	**507,441.81**	509,258.95
Equity Attributable to Equity Holders of the Parent		
Capital stock - P1 par value per share		
Authorized - 400,000,000 shares		
Issued - 282,545,960 shares	**282,545.96**	282,545.96
Retained earnings		
Appropriated	**2,350,000.00**	2,350,000.00
Unappropriated	**119,706.80**	182,115.04
Revaluation increment	**889,431.22**	889,431.21
Remeasurement gains on defined benefit liability	**220,388.20**	220,388.20
Unrealized cumulative gain on Financial asset at FVOCI	**78,328.20**	78,328.20
	3,940,400.38	4,002,808.61
Less cost of 720 shares of stock in treasury	**-7.20**	-7.20
Total Equity	**3,940,393.18**	4,002,801.41
TOTAL LIABILITIES AND EQUITY	**5,755,834.75**	5,826,862.99

CENTRAL AZUCARERA DE TARLAC, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2019, 2018 and 2017
(IN THOUSAND PESOS)

	Unaudited					
	Three Months Ended September 30					
	1st Qtr	**YTD 2019**	1st Qtr	**YTD 2018**	1st Qtr	**YTD 2017**
REVENUES						
Sale of sugar and by-products	128,914.27	**128,914.27**	98,156.91	**98,156.91**	208,697.36	**208,697.36**
Tolling fees	.00	**.00**	60,967.46	**60,967.46**	5,559.00	**5,559.00**
Industrial & equipment services	10,599.31	**10,599.31**	10,196.36	**10,196.36**	9,757.02	**9,757.02**
Total	139,513.58	**139,513.58**	169,320.73	**169,320.73**	224,013.38	**224,013.38**
COST OF GOODS SOLD AND SERVICES						
Costs of goods sold	154,839.62	**154,839.62**	170,667.81	**170,667.81**	262,284.17	**262,284.17**
Costs of tolling services	7,285.28	**7,285.28**	13,273.94	**13,273.94**	11,411.66	**11,411.66**
Cost of services	4,595.07	**4,595.07**	6,936.72	**6,936.72**	4,792.34	**4,792.34**
Total	166,719.97	**166,719.97**	190,878.47	**190,878.47**	278,488.17	**278,488.17**
GROSS INCOME	-27,206.39	**-27,206.39**	-21,557.74	**-21,557.74**	-54,474.79	**-54,474.79**
OPERATING EXPENSES	24,453.87	**24,453.87**	27,110.51	**27,110.51**	21,777.51	**21,777.51**
OTHER INCOME (EXPENSES)						
Interest income	291.84	**291.84**	8,892.48	**8,892.48**	690.85	**690.85**
` Interest expense	-14,871.77	**-14,871.77**	-11,457.07	**-11,457.07**	-32,469.33	**-32,469.33**
Other Income(Expense)	3,831.95	**3,831.95**	208.97	**208.97**	4,720.10	**4,720.10**
Total	-10,747.99	**-10,747.99**	-2,355.62	**-2,355.62**	-27,058.39	**-27,058.39**
INCOME BEFORE INCOME TAX	-62,408.24	**-62,408.24**	-51,023.87	**-51,023.87**	-103,310.70	**-103,310.70**
PROVISION FOR INCOME TAX		**.00**		**.00**		**.00**
NET INCOME	-62,408.24	**-62,408.24**	-51,023.87	**-51,023.87**	-103,310.70	**-103,310.70**
Earnings Per Share						
Basic /Dilluted	(0.22)	**(0.22)**	(0.18)	**(0.18)**	(0.37)	**(0.37)**

CENTRAL AZUCARERA DE TARLAC, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR EACH OF THE THREE MONTHS ENDED SEPTEMBER 30, 2019, 2018, 2017
(IN THOUSAND PESOS)

	Capital Stock	Retained Earnings		Revaluation Increment	Remeasurement Gains(Losses) on Defined Benefit	Unrealized Cumulative Gain		Treasury Stock	Total Equity
		Unappropriated	Appropriated			Financial Assets at FVOCI	AFS Financial Asset		
Balances at June 30, 2017(As Audited)	282,545.96	280,932.35	200,000.00	1,946,793.29	226,929.47		139,069.89	-7.20	3,076,263.76
Total comprehensive income		-103,310.70							-103,310.70
Balance at September 30, 2017	282,545.96	177,621.65	200,000.00	1,946,793.29	226,929.47	.00	139,069.89	-7.20	2,972,953.06
Total comprehensive income		686,932.71		-6,130.07	251,225.77		-13,816.73	.00	918,211.68
Sale of land at revalued amount		1,181,600.01		-1,181,600.01	.00		.00	.00	.00
Dividend declaration		-50,856.98		.00	.00		.00	.00	-50,856.98
Appropriation		-2,300,000.00	2,300,000.00						.00
Reversal of appropriation		200,000.00	-200,000.00						.00
Balance at June 30, 2018 (As Audited)	282,545.96	-104,702.61	2,300,000.00	759,063.21	478,155.24	.00	125,253.17	-7.20	3,840,307.77
Total comprehensive income		-51,023.87				.00			-51,023.87
Balance at September 30, 2018	282,545.96	-155,726.48	2,300,000.00	759,063.21	478,155.24	.00	125,253.17	-7.20	3,789,283.90
Effect of adopting PFRS 9		-1,234.27				125,253.17	-125,253.17	.00	-1,234.27
Total comprehensive income		389,075.79		130,368.00	-257,767.03	-46,924.97		.00	214,751.79
Appropriation		-2,350,000.00	2,350,000.00	.00	.00		.00	.00	.00
Reversal of appropriation		2,300,000.00	-2,300,000.00	.00	.00		.00	.00	.00
Balance at June 30, 2019 (As Audited)	282,545.96	182,115.04	2,350,000.00	889,431.21	220,388.20	78,328.20	.00	-7.20	4,002,801.41
Total comprehensive income		-62,408.24							-62,408.24
Balance at September 30, 2019	**282,545.96**	**119,706.80**	**2,350,000.00**	**889,431.21**	**220,388.20**	**78,328.20**	**.00**	**-7.20**	**3,940,393.17**

CENTRAL AZUCARERA DE TARLAC, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSAND PESOS)

	Three Months Ended September 30		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	-62,408.24	-51,023.87	-103,310.70
Adjustments for:			
Interest expense	14,871.77	11,457.07	31,870.66
Depreciation and amortization	33,909.77	32,181.94	28,542.26
Interest income	-291.84	-8,892.48	-92.18
Operating loss before working capital changes	-13,918.54	-16,277.34	-42,989.95
Provisions for (reversal of):			
Decrease (increase) in:			
Receivables	13,069.99	-106,122.09	-33,039.57
Inventories	67,297.28	105,306.41	160,237.08
Other curent assets	-23,163.33	-17,527.57	-5,380.25
Increase (decrease) in:			
Trade and other payables	-7,288.22	-107,953.07	-16,131.91
Deposits	485.35	556.69	85.18
Cash generated from (used for) operations	36,482.53	-142,016.98	62,780.58
Income tax paid	.00	.00	.00
Net cash provided by (used in) operating activities	36,482.53	-142,016.98	62,780.58
CASH FLOWS FROM INVESTING ACTIVITIES			
Net disposals of (additions to) property, plant and equipment	-50,381.49	-65,124.62	-48,169.26
Decrease (increase) in other noncurrent assets	-12,188.23	-511.73	-5,835.82
Interest received	291.84	8,892.48	92.18
Net cash provided by (used in) investing activities	-62,277.88	-56,743.88	-53,912.91
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Interest	-14,871.76	-13,798.55	-36,037.32
Increase(decrease) in non current liablities	-1,817.14	484.19	.00
Notes payable			-66,833.33
Proceeds from availment of notes payable			40,000.00
Net cash provided by (used) in financing activities	-16,688.89	-13,314.36	-62,870.65
NET INCREASE (DECREASE) IN CASH	-42,484.24	-212,075.22	-54,002.98
CASH AT BEGINNING OF YEAR	213,611.50	355,179.30	252,839.70
CASH AT END OF YEAR	171,127.26	143,104.07	198,836.72

CENTRAL AZUCARERA DE TARLAC, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

As at June 30, 2019, the Parent Company is 71.40% owned by CAT Resource & Asset Holdings, Inc. (CRAHI). The ultimate parent is First Lucky Holdings Corporation.

On December 13, 2017, the Board of Directors (BOD) approved to amend its articles of incorporation by changing its corporate name from Central Azucarera de Tarlac to Central Azucarera de Tarlac, Inc.

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

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

Authorization for the Issuance of the Consolidated Financial Statements
The consolidated financial statements as at and for each of the three years in the period ended June 30, 2019 were authorized for issue in accordance with a resolution by the Board of Directors (BOD) on October 8, 2019.

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

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

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

Statement of Compliance
The accompanying consolidated financial statements have been prepared in accordance

with Philippine Financial Reporting Standards (PFRSs) which include the availment of the deferral granted by the Philippine SEC under Memorandum Circular No. 2019 as discussed in Note 3.

Basis of Consolidation

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

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

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

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

- the contractual arrangement(s) with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

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

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

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

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

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new, amended and improvements to PFRSs, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) which are effective for annual periods beginning July 1, 2018.

Adoption of PFRS 9, *Financial Instruments*
The adoption of PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group applied the modified retrospective approach in adopting this standard with July 1, 2018 as the initial date of application and resulted to the following:

- *Classification and Measurement of Financial Instruments*
  The Group revisited all of its financial instruments and applied the requirements of PFRS 9.

  - *Classification of financial instruments*
    The Group's financial assets composed of "Cash and cash equivalents" and "Receivables" continue to be classified and measured at amortized costs on the basis that these financial assets are expected to be held to collect contractual cash flows upon maturity at an amount equivalent to principal and interest only.

    The Group's investment in shares of stock amounting to ₱173.9 million classified as available-for-sale (AFS) financial assets as at June 30, 2018 are reclassified irrevocably as an equity instrument designated at FVOCI beginning July 1, 2018. All fair value changes, net of tax, amounting to ₱125.3 million presented as "Unrealized cumulative gains on AFS financial assets" as at June 30, 2018 are now recognized as "Unrealized cumulative gains on financial assets at FVOCI" beginning July 1, 2018.

    The Group's financial liabilities comprising of "Trade and other payables", "Short-term notes payable" and Mortgage payable under "Other current and noncurrent liabilities" continue to be classified and measured at amortized costs.

  - *Impairment of financial asset*
    The adoption of PFRS 9 resulted to a fundamental change in the way the Group computes for impairment losses from "incurred loss" to "expected credit loss (ECL)" approach. The ECL approach incorporates forward-looking rates in the evaluation. This resulted to the following adjustments in the consolidated

balance sheet:

	As at July 1, 2018
Increase (decrease) in:	
Receivables	(₱1,707,153)
Deferred income tax liabilities - net	(472,886)
Retained earnings	(1,234,270)

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

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

With the effectivity of PFRS 15 on July 1, 2018, as approved by Financial Reporting Standards Council (FRSC), the Philippine Interpretations Committee (PIC) issued Q&A 2019-3, *Revenue Recognition Guidance for Sugar Millers*, to assist companies operating in the sugar industry in the adoption of PFRS 15. PIC Q&A 2019-3 states that a miller should recognize revenue arising from its sugar milling operation under either output sharing agreement or cane purchase agreement, and that providing free storage constitutes a separate performance obligation in the case of an output sharing agreement.

In response to concerns raised by the sugar industry on the implementation and adoption of PIC Q&A 2019-3, the Philippine SEC issued Memorandum Circular No. 06 on April 4, 2019, allowing the deferral of the the application of the provisions of the above-mentioned PIC Q&A 2019-3 for a period of one (1) year.

Effective July 1, 2019, the Philippine sugar millers will adopt PIC Q&A 2019-3 and any subsequent amendments thereto retrospectively or as the Philippine SEC will later prescribe.

The Group availed of the deferral of adoption of the above specific provisions. Had these provisions been adopted and had the output sharing agreement deemed more appropriate, it would have increased revenue from milling and cost of tolling services.

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.

These amendments did not have any impact on the consolidated financial statements as the

Group does not have any share-based payment transaction.

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

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

Amendments to PAS 28, *Investments in Associates and Joint Ventures, 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 FVPL. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. Retrospective application is required.

These amendments did not have any impact on the consolidated financial statements since none of the entities within the Group is a venture capital organization or an investment entity.

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

The Group's current practice is in line with the clarifications issued. Accordingly, it did not have any effect on the consolidated financial statements.

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

Consideration
The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transaction for each payment or receipt of advance consideration. Retrospective application of this interpretation is not required.

The amendments did not have any impact on the consolidated financial instruments as the Group does not have any foreign currency transaction involving advance consideration.

New Accounting Standards, Interpretation and Amendments to Existing Standards Effective Subsequent to June 30, 2019
Standards and interpretation issued but not yet effective up to the date of issuance of the consolidated financial statements are listed below. The Group intends to adopt these standards and interpretation when they become effective. The Group is currently assessing the potential impact of adopting these new standard and interpretation on July 1, 2019.

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

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

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

  PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

  A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes,* and does not

apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

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

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. Listed below are those new standards, amendments and improvements to existing standards that the Group is considering not to have any impact:

Effective beginning July 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- *Annual Improvements to PFRSs 2015-2017 Cycle*
  - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*
  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
  - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

Effective beginning July 1,2020

- Amendments to PFRS 3, *Definition of a Business*
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, *Definition of Material*

Effective beginning July 1,2021

- PFRS 17, *Insurance Contracts*

Deferred effectivity

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

4. Summary of Significant Accounting and Financial Reporting Policies

Business Combinations and Goodwill

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

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

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

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

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

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

<u>Current versus Noncurrent Classification</u>
The Group presents assets and liabilities in the consolidated balance sheet based on current/noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in 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 noncurrent.

A liability is current when:

- It is expected to be settled in 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 Group classifies all other liabilities as noncurrent.

Deferred income tax assets and liabilities are classified as noncurrent assets and liabilities.

Fair Value Measurement
The Group measures financial instruments such as financial assets at FVOCI (AFS financial assets in prior period) and nonfinancial assets such as land carried at revalued amount and investment property, at fair value at each reporting date. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 31. Fair values are determined based on an annual evaluation performed by an accredited external appraiser applying a valuation model approved by the International Valuation Standards Committee.

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

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

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

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

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

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

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

The Group measures fair value on its land, recognized as property, plant and equipment and investment property and financial assets at FVOCI (AFS financial assets in prior period).

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

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

<u>Financial Instruments (Policies under PFRS 9 and PAS 39)</u>
A financial instrument is any contract that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets
Initial Recognition and Measurement under PFRS 9
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost,
FVOCI, and fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

Subsequent Measurement under PFRS 9
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

Upon adoption of PFRS 9 as at July 1, 2018, the Group's financial assets are categorized as financial assets at amortized cost (debt instrument) which mainly includes the Group's "Cash and cash equivalents" and "Receivables", and financial assets at FVOCI comprising of equity instruments.

The Group measures financial assets at amortized cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in the consolidated statement of income when the asset is derecognized, modified or impaired.

Financial Assets Designated at FVOCI
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under
PAS 32, *Financial Instruments: Presentation*, and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the consolidated statement of income. Dividends are recognized in the consolidated statement of income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated as financial assets at FVOCI are not subject to impairment assessment. The Group elected to classify irrevocably its equity investments recognized under "Financial assets at FVOCI" under this category.

Policy Prior to Adoption of PFRS 9 in Accordance with PAS 39
The Group categorizes its financial assets as loans and receivables and AFS financial assets as at June 30, 2018.

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 the intention of immediate or short-term resale and are not classified as financial assets held for trading or designated as either AFS financial assets or financial assets at FVTPL. This accounting policy relates to the Group's "Cash and cash equivalents" and "Receivables".

These are recognized initially at fair value, which normally pertains to the billable amount. After initial measurement, loans and receivables are measured at amortized cost using the EIR method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR.

AFS Financial Assets
AFS financial assets are those non-derivative financial assets which are designated as such or do not qualify to be classified as financial assets at FVPL, Held-to-maturity investments, or loans and receivables. AFS financial assets are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. These include equity instruments investments.

After initial recognition, AFS financial assets are measured at fair value with gains or losses being recognized as a separate component in the equity section of the consolidated balance sheet until the equity investment is derecognized or until the equity investment is determined to be impaired at which time the cumulative gains or losses previously reported in equity is included in the consolidated statement of income.

Interest earned on holding AFS financial assets is included under "Interest income" account in the consolidated statement of income using the EIR method. Dividends earned on holding AFS financial assets are recognized in the consolidated statement of income when the right to the payment has been established.

Impairment of Financial Assets
Policy in Accordance with PFRS 9
The Group applied the ECL model on the impairment of the following debt instruments financial assets not measured at FVTPL:
- those that are measured at amortized cost and FVOCI;
- loan commitments; and
- financial guarantee contracts.

ECL calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the balance sheet date about past events, current conditions and forecast of future economic conditions.

Amount of ECL to be recognized is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The following stages are applicable to those financial assets being assessed for ECL depending on its credit quality:

Stage 1: 12-month
For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.

Stage 2: Lifetime ECL
For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

Stage 3: Credit-impaired
Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted EIR to the amortized cost of the financial asset.

Determining the Stage for Impairment
At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

An exposure will migrate through the ECL stages as credit quality deteriorates. If, in a subsequent period, credit quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL. For trade receivables, the Group applied a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group performs an assessment whether its financial asset is in default when contractual payments are past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Policy Prior to Adoption of PFRS 9 in Accordance with PAS 39
Loans and Receivables
The Group assesses at each reporting date whether there is an objective evidence that a financial or group of financial assets is impaired. Objective evidences of impairment may include indications that the debtor is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If there is objective evidence that an

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

AFS Financial Assets
The Group assesses at each reporting date whether there is objective evidence that the AFS financial assets are impaired. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Derecognition (in Accordance with PFRS 9 and PAS 39)
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the consolidated balance sheet) when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a "pass-through" arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

Financial Liabilities
Initial Recognition and Measurement under PFRS 9
Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities are categorized as financial liabilities at amortized cost which comprise of "Trade and other payables", "Short-term notes payable" and Mortgage payable under "Other current and noncurrent liabilities".

After initial recognition, financial liabilities at amortized cost are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the consolidated statement of income.

Policy Prior to Adoption of PFRS 9 in Accordance with PAS 39
The Group categorizes its financial liabilities comprising of "Trade and other payables", "Short-term notes payable" and Mortgage payable under "Other current and noncurrent liabilities" as other financial liabilities.

Other financial liabilities pertain to those issued financial liabilities or their components where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares, which are not designated as financial liabilities at FVTPL.

Derecognition (in Accordance with PFRS 9 and PAS 39)
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of income.

Offsetting of Financial Instruments (in Accordance with PFRS 9 and PAS 39)
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

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

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

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

These are presented as part of "Other current assets" in the consolidated balance sheets.

Advances for Land Preparation
These pertain to cash advanced for future land preparation.

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

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

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

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

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

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

Category	Number of years
Machinery and equipment	2-25 years
Agricultural machinery and equipment	5-12 years
Buildings and improvements	2-25 years
Transportation equipment	2-5 years

Land improvements	5-15 years
Furniture, fixtures and equipment	2-10 years
Communication and utility systems	2-5 years
Roads and bridges	10 years

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

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

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

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

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

Investment Property

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gain or loss arising from changes in the fair values of investment properties is included in the consolidated statement of income in the period in which they arise, including the corresponding tax effect, if any.

Investment properties are derecognized either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset, at the beginning of the year when the disposal is made, is recognized in the consolidated statement of income in the period of derecognition.

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

Impairment of Nonfinancial Assets

Property, Plant and Equipment and Advances

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

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

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

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

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

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

<u>Equity</u>
Capital Stock
Capital stock is measured at par value for all shares issued. Incremental costs incurred

directly attributable to the issuance of new shares are shown in equity as deduction from proceeds, net of tax.

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

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

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

Revenue Recognition (PFRS 15)
Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded that it is the principal in its revenue arrangements because it controls the goods or services before transferring them to the customer.

Revenue Recognition (PAS 18)
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Sales are measured at the fair value of the consideration received, net of discounts and returns. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Group has concluded that it is acting as principal in all of its revenue arrangements.

The following specific recognition criteria are also being considered under PAS 18 and PFRS 15:

Sale of Sugar (PAS 18 and PFRS 15)
Sale of sugar is recognized upon endorsement and transfer of quedans and/or issuance of a sugar release order in the name of the customer which represents ownership title over the sugar.

Sale of By-Products (PAS 18 and PFRS 15)
Sale of by-products, which includes molasses, alcohol, carbon dioxide and yeasts, is recognized upon shipment or delivery and acceptance by the customers.

Tolling Fee (PAS 18 and PFRS 15)
Revenue is recognized when services have been rendered.

Industrial Services (PAS 18 and PFRS 15)
Revenue from industrial services, which include water and wastewater treatment services and locator fees are recognized as the services are rendered.

Sale of Real Estate (PAS 18 and PFRS 15)
Revenue from sale of real estate is accounted for using the full accrual method. The Group assesses whether it is probable that the economic benefits will flow to the Group when the contract price is collectible. Collectability of the contract price is demonstrated by the buyer's commitment to pay, which is supported by the buyer's initial and continuing investments that motivate the buyer to honor its obligation. Collectability is also assessed by considering factors such as collections and credit standing of the buyer.

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

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

Nonrefundable payments by customers are recognized as other income.

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

Other Income (PAS 18 and PFRS 15)
This includes revenue recognized when earned from sources other than the normal business operations of the Group.

Expenses
Cost of Goods Sold and Tolling Services
These are the direct and allocated indirect costs that are incurred upon processing of the Group's products and rendering of the Group's tolling services. These are recognized when the related goods are sold and the related services are rendered.

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

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

Operating Expenses

These are expenses that are related to cost of administering and selling functions of the Group. These expenses are recognized when incurred.

Income Taxes

Current Income Tax

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

Deferred Income Tax

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

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

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

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

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

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

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

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

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

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

The determination of whether an arrangement contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease only if one of the following applies
(a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) a renewal option is exercised or extension is granted, unless that term of the renewal or extension was initially included in the lease term;
(c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or
(d) there is a substantial change to the asset.

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

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

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

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

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

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

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

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

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

Borrowing Costs

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

Segment Information

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

An operating segment is a component of an entity:

(a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);

(b) with operating results regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance; and
(c) for which discrete financial information is available.

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

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

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

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

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

5. Summary of Significant Accounting Judgments, Estimates and Assumptions

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

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

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

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

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

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

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

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

Allowance for Doubtful Accounts
Impairment of Financial Assets at Amortized Cost based on PFRS 9
Starting July 1, 2018, the Group uses ECL in calculating its impairment. In the case of certain trade receivables, a provision matrix is established.

The calculation is initially based on the Group's historical observed default rates. The Group will calibrate the calculation to adjust historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast economic conditions may also not be representative of customer's actual default in the future.

- *Stage 3 - Credit Impaired Financial Assets*
  The Group determines impairment for each significant financial asset on an individual basis. Among the items that the Group considers in assessing impairment is the inability to collect from the counterparty based on the contractual terms of the financial assets. Financial assets included in the specific assessment are the accounts that have been endorsed to the legal department and non-moving financial assets.

- *Inputs, Assumptions and Estimation Techniques in ECL Calculation*
  ECL calculation is performed for those financial assets that are not credit impaired. The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. A significant increase is assessed to have occurred if there are significant payment delays, declining operating performance of the borrower, among others. ECLs are the discounted product of the Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD).

The ECL is determined by projecting the PD, LGD, and EAD for each future month and for each individual exposure or collective segment.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the financial assets. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis. The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by counterparty or by customer segments.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different counterparties or customers. These LGD's are influenced by collection strategies including contracted debt sales and price.

The assumptions underlying the ECL calculation such as how the maturity profile of the PDs change are monitored and reviewed quarterly.

Provision Matrix for Trade Receivables
The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the industrial segment, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Incorporation of Forward-looking Information
The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The macro-economic variables include the following key indicators for the Philippines: unemployment rates, inflation rates, gross domestic product growth and net personal income growth.

Predicted relationship between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 5 years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The Group has not identified any uncertain event that it has assessed to be relevant to the risk of default occurring but where it is not able to estimate the impact on ECL due to lack of reasonable and supportable information.

The adoption of PFRS 9 in the calculation of credit loss resulted to an additional impairment of ₱1.7 million as of July 1, 2018 (see Note 3).

No provision for credit loss was recognized in 2019. As at September 30, 2019 and June 30, 2019, the allowance for credit loss on receivables amounted to ₱9.0 million. The carrying amounts of receivables as at September 30, 2019 and June 30, 2019 amounted to ₱1,050.16 and ₱1,063.2 million respectively. (see Note 8).

Impairment of Loans and Receivables in Accordance with PAS 39
Allowance for doubtful accounts is determined through specific identification. Through this method, the Company evaluates the information available that certain debtors are unable to meet their financial obligations. In this case, management uses judgment, based on the best available facts and circumstances, including but not limited to, the length of relationship with the debtor and the debtor's current credit status based on third party credit reports and known market factors, to record specific reserves for debtors against amounts due to reduce receivable amounts to expected collection. This specific reserve is re-evaluated and adjusted as additional information received affects the amounts estimated. The amounts and timing of recorded provision for doubtful accounts for any period would differ if the Company made different assumptions or utilized different estimates.

Allowance for Inventory Obsolescence
The Group provides allowance for inventories whenever NRV of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The allowance account is reviewed on a monthly basis to reflect the accurate valuation in the financial records. Inventories identified to be obsolete and unusable are written-off and charged as expense for the period.

Impairment of AFS Financial Assets (Prior to adoption of PFRS 9)
The Group treats AFS as impaired when there has been a significant or prolonged decline in the fair value below its costs or other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Group generally treats a decline of 20% or more of the original cost of investments as "significant", and a period greater than six months as "prolonged". In addition, the Group evaluates other factors including normal volatility in share prices for quoted securities and the future cash flows and discounted factors for unquoted securities.

If assumptions are made regarding the duration and extent to which the fair value is less than cost, the Group would suffer an additional loss representing the write down of cost to its fair value.

NRV of Real Estate held for Sale and Development
The Group provides allowance for decline in value of real estate inventories whenever NRV of inventories becomes lower than cost due to damage, physical deterioration, change in price levels or other causes. Estimates of NRV are based on the most realizable evidence available at the time the estimates are made, of the amount the inventories are expected to realize.

There was no allowance for decline in real estate inventory value in June 30, 2019. The carrying amounts of real estate inventories as at September 30, 2019 and June 30, 2019 amounted to ₱988.5 million. (see Note 10).

Revalued Amount of Land under Property, Plant and Equipment and Fair Value of Investment Property
The Group has property, plant and equipment and investment property carried at revalued amount and fair value, respectively. These consist of land which is being valued by reference to market using comparable prices adjusted for specific market factors such as location and condition of the property. The Group engaged an external appraiser to determine revalued amount and fair value as at June 30, 2019.

The significant methods and assumptions used by the appraiser in estimating fair values of land are discussed in Note 15. The revalued amount of land under property, plant and equipment as at June 30, 2019 amounted to ₱996.8 million (see Note 15). The fair value of land under investment property amounted to ₱437.3 million as at June 30, 2019.

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

There were no changes in the estimated useful lives of property, plant and equipment in 2019. The carrying values of property, plant and equipment carried at cost as at September 30, 2019 and June 30, 2019 amounted to ₱577.1 million and ₱560.6 million, respectively (see Note 14).

Impairment of Nonfinancial Asset
The Group assesses whether there are any indicators of impairment for property plant and equipment and advances whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers

important which could trigger an impairment review include the following:

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

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

There were no provisions for impairment losses recognized in 2019, 2018 and 2017. The fair values of land under property plant and equipment as at September 30, 2019 and June 30, 2019 amounted to ₱996.8 million. The carrying amounts of property, plant and equipment carried at cost as at September 30, 2019 and June 30, 2019 amounted to ₱ 577.1 million and ₱560.6 million, respectively (see Note 14). The carrying amounts of advances as at September 30, 2019 and June 30, 2019 amounted to ₱372.9 million and ₱ 347.5 million, respectively (see Notes 11 and 16).

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

The carrying amount of goodwill as of September 30, 2019 and June 30, 2019 amounted to ₱502.4 million. Goodwill impairment recognized in 2018 amounted to ₱199.7 million. No impairment was recognized in 2019.

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

The Group's deferred income tax assets arising from temporary differences as at June 30, 2019 amounted to ₱8.4 million.

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

significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement obligation. The assumptions used are disclosed in Note 25.

Retirement income recognized in 2019 amounted to ₱36.7 million. The carrying amounts of the Group's net retirement asset as at September 30, 2019 and June 30, 2019 amounted to ₱378.0 million.

6. Segment Information

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

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

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

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

2019

	Sugar and by products	Real Estate	Eliminations	Total
Revenues	128,914.27	10,599.31		139,513.58
Cost of goods sold and services	162,124.90	4,595.07		166,719.97
Gross income	-33,210.63	6,004.25	.00	-27,206.38
Operating expenses	20,973.91	3,479.97		24,453.87
Other income (expenses)				
Interest expense	-14,685.20	-186.56	.00	-14,871.77
Interest income	244.88	46.96	.00	291.83
Other income - net	3,472.72	359.23		3,831.95
Segment income before income tax	**-65,152.14**	**2,743.90**	**.00**	**-62,408.24**
Segment assets	**5,951,606.60**	**822,621.07**	**-1,018,311.33**	**5,755,916.35**
Segment liabilities	**1,699,865.64**	**1,686,154.82**	**-1,570,497.29**	**1,815,523.17**

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

7. Cash and Cash Equivalents

	As of September 30, 2019	As of June 30, 2019
Cash on hand and in banks	**169,642.41**	213,611.50
Cash equivalents	**1,484.85**	
	171,127.26	213,611.50

Cash in banks earn interest at the respective bank deposit rates. Interest rates range from 1.50% to 2.38% per annum.

Interest income earned from cash in banks amounted to ₱0.2 million and ₱.3 million in September 30, 2019 and June 30, 2019 respectively.

8. Receivables

	As of September 30, 2019	As of June 30, 2019
Trade:		
Non-affiliates	**44,834.00**	88,302.47
Affiliates		
Nontrade:		
Due from related parties	**955,919.22**	908,657.20
Notes receivable	**.00**	18,905.12
Planters' receivable	**6,580.16**	5,835.77
Advances to:		
Directors, officers and employees	**15,864.12**	21,309.91
Tarlac Development Corporation (TDC)	**24,677.40**	24,951.28
Luisita Golf and Country Club, Inc. (LGC(	**5,998.90**	3,634.01
Others	**5,314.13**	662.17
	1,059,187.94	1,072,257.93
Less allowance for doubtful accounts - nontrade	9,029.71	9,029.71
	1,050,158.23	**1,063,228.22**

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

Notes receivable pertains to the loan agreement entered into in 2019 that are subject to 6.5% interest per annum. Noncurrent portion is presented under "Other noncurrent asset" account.

Certain receivables from related parties are subject to interest at 4% to 10% per annum in 2019 and 2018. Interest income earned from receivables amounted to ₱29.4 million as at June 30, 2019.

Advances to TDC and LGCCI pertain to advances made by the Group to its previous affiliates which are unsecured, non-interest bearing and is due upon demand.

Movements in the allowance for credit losses are summarized below:

	September 30, 2019		
	Trade	Non Trade	Total
Balance at beginning of year	3,052.74	5,976.97	9,029.71
Effect of adopting PFRS 9			.00
Reversals/write off			.00
Balance	**3,052.74**	**5,976.97**	**9,029.71**

	June 30, 2019		
	Trade	Non Trade	Total
Balance at beginning of year	2,927.54	6,239.27	9,166.80
Effect of adopting PFRS 9	205.97	1,501.18	1,707.15
Reversals/write off	-80.77	-1,763.48	-1,844.25
Balance	**3,052.74**	**5,976.97**	**9,029.71**

9. Inventories

	As of September 30, 2019	As of June 30, 2019
At cost:		
Alcohol	**28,655.90**	65,533.90
Raw sugar	**78.19**	29,451.70
CO2	**966.82**	
Molasses	**68.49**	68.49
At NRV:		
Spare parts and supplies	**56,030.77**	58,043.37
	85,800.17	153,097.46

10. Real Estate Held for Sale and Development

	As of September 30, 2019	As of June 30, 2019
Land held for development	**981,516.36**	981,516.36
Land available for sale	**6,978.02**	6,978.02
	988,494.38	988,494.37

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

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

11. Other Current Assets

	As of September 30, 2019	As of June 30, 2019
Advances to suppliers - net of allowance	**155,090.44**	135,538.29
CWT	**22,743.60**	18,942.95
Prepaid tax	**981.49**	1,652.07
Prepaid insurance	**581.16**	2,250.45
Input tax	**1,899.35**	
Others	**889.13**	638.07
	182,185.16	159,021.83

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

12. Goodwill

The Group performed its impairment review of goodwill as at June 30, 2019 and 2018. Based on the impairment review as at June 30, 2019, the recoverable amount exceeded the carrying value of the CGU, including goodwill, thus, no impairment loss was recognized. In 2018, the carrying value of the CGU, including goodwill, exceeded the recoverable amount by ₱199.7 million. This was recognized as an impairment loss for the year ended June 30, 2018.

CGU pertains to the Parent Company's investment in LLC. Recoverable amount pertains to the CGU's value in use. Value in use was derived using cash flow projections based on financial budgets approved by senior management covering a five-year period and the expected realization of LLC's real estate inventory. Cash flow beyond the five-year period are extrapolated using a 3.50% growth rate. Discount rate applied to the cash flow projections in determining value in use is 10.76% and 11.85% in 2019 and 2018, respectively.

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

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

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

c) Selling price of LLC's real estate inventory - The estimated selling price is based on current market price (see Note 30) as adjusted to consider future development in the vicinity which will result to increased value of existing land once the sale is consummated.

Sensitivity to Changes in Assumptions
Before any impairment on goodwill is recognized, discount rate and selling price will need to be higher by more than 3.34% or lower by 11.22%, respectively. No reasonably possible change in the growth rate would cause the carrying amount of the CGU to exceed its recoverable amount.

13. Financial assets at FVOCI

	As of September 30, 2019	As of June 30, 2019
Proprietary shares	**118,200.00**	118,200.00
Investment in shares of stock:		
Listed	**382.57**	382.57
Unlisted	**162.00**	162.00
	118,744.57	118,744.57

The movements in financial assets at FVOCI in 2019 are as follows:

	As of September 30, 2019	As of June 30, 2019
Effect of adoptin PFRS 9	**173,949.54**	173,949.54
Change in fair value of financial assets at FVOCI	**-55,204.97**	-55,204.97
	118,744.57	118,744.57

The fair value of the listed shares of stock and proprietary shares are determined with reference to published price quotations in an active market. Management intends to dispose the financial assets at FVOCI, both listed and unlisted and proprietary shares, when the need arises.

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

September 30, 2019

	Machinery and equipment	Agricultural machinery and equipment	Land improvements	Buildings and improvements	Transportation equipment	Furniture, fixtures and equipment	Communication and utility systems	Roads and bridges	Construction in-progress	Total
Cost:										
Balances at beginning of year	**1,722,414.55**	**160,444.84**	**61,012.79**	**157,891.30**	**48,174.88**	**51,124.71**	**8,517.45**	**12,350.55**	**30,542.54**	**2,252,473.62**
Additions	**319.55**	**.00**	**550.40**	**714.36**	**1,189.77**	**530.49**	**.00**	**.00**	**47,078.72**	**50,383.29**
Disposal	**.00**	**.00**	**.00**	**.00**	**.00**	**.00**	**.00**	**.00**	**.00**	**.00**
Reclassifications	**.00**	**.00**	**.00**	**.00**	**.00**	**.00**	**.00**	**.00**	**.00**	**.00**
Balances at end of year	**1,722,734.10**	**160,444.84**	**61,563.19**	**158,605.66**	**49,364.65**	**51,655.20**	**8,517.45**	**12,350.55**	**77,621.26**	**2,302,856.92**
Accumulated depreciation and amortization:										
Balances at beginning of year	**1,406,531.02**	**50,285.30**	**43,286.85**	**108,675.83**	**20,324.56**	**42,603.01**	**7,823.01**	**12,350.54**	**.00**	**1,691,880.11**
Depreciation and amortization	**24,491.93**	**4,649.71**	**582.22**	**2,306.07**	**790.08**	**1,007.30**	**84.25**	**.00**	**.00**	**33,911.57**
Disposal	**.00**	**.00**	**.00**	**.00**	**.00**	**.00**	**.00**	**.00**	**.00**	**.00**
Balances at end of year	**1,431,022.95**	**54,935.02**	**43,869.07**	**110,981.90**	**21,114.64**	**43,610.31**	**7,907.26**	**12,350.54**	**.00**	**1,725,791.68**
Net book values	**291,711.15**	**105,509.83**	**17,694.12**	**47,623.75**	**28,250.01**	**8,044.90**	**610.19**	**.02**	**77,621.26**	**577,065.23**

June 30, 2019

	Machinery and equipment	Agricultural machinery and equipment	Land improvements	Buildings and improvements	Transportation equipment	Furniture, fixtures and equipment	Communication and utility systems	Roads and bridges	Construction in-progress	Total
Cost:										
Balances at beginning of year	1,625,270.49	119,751.20	45,990.89	153,437.57	53,560.27	87,608.97	8,259.40	12,350.55	19,343.29	2,125,572.63
Additions	22,975.94	28,923.11	625.00	2,582.51	1,836.13	2,506.41	295.25	.00	69,534.05	129,278.39
Disposal	-2,328.37	.00	.00	.00	.00	-42.02	-7.00	.00	.00	-2,377.39
Reclassifications	76,496.49	11,770.53	14,396.91	1,871.23	-7,221.51	-38,948.65	-30.19	.00	-58,334.80	.00
Balances at end of year	1,722,414.55	160,444.84	61,012.79	157,891.30	48,174.88	51,124.71	8,517.45	12,350.55	30,542.54	2,252,473.62
Accumulated depreciation and amortization:										
Balances at beginning of year	1,298,929.82	28,154.74	43,680.76	117,384.01	13,867.26	38,088.30	7,484.18	12,350.54	.00	1,559,939.61
Depreciation and amortization	94,644.85	16,163.33	1,584.69	9,521.10	7,973.72	4,077.41	341.37	.00	.00	134,306.45
Disposal	-2,321.21	.00	.00	.00	.00	-42.02	-2.72	.00	.00	-2,365.95
Reclassifications	15,277.56	5,967.23	-1,978.60	-18,229.27	-1,516.42	479.31	.18	.00	.00	.00
Balances at end of year	1,406,531.02	50,285.30	43,286.85	108,675.83	20,324.56	42,603.01	7,823.01	12,350.54	.00	1,691,880.11
Net book values	**315,883.53**	**110,159.54**	**17,725.94**	**49,215.47**	**27,850.32**	**8,521.71**	**694.45**	**.02**	**30,542.54**	**560,593.51**

15. **Land**

Land recognized under property, plant and equipment is carried at revalued amount of ₱ 996.8 million and ₱810.6 million as at June 30, 2019 and 2018, respectively.

The fair value, categorized as Level 3 in the fair value hierarchy, is based on valuations determined by an independent appraiser, accredited by the Philippine SEC, as at June 30, 2019 and 2018.

The valuation models used by the appraiser are in accordance with that recommended by the International Valuation Standards Council and is based on the land's highest and best use.

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

Property and Equipment

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

	2019	2018
Balances at beginning of year	**₱810,550,400**	₱874,000,000
Revaluation increase (decrease)	**186,240,000**	(24,936,100)
Reclassification to investment property	**–**	(38,513,500)
Balances at end of year	**₱996,790,400**	₱810,550,400

Investment Property

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

	As of September 30, 2019	As of June 30, 2019
Balances at beginning of year	**437,264.08**	223,561.38
Changes in fair value		213,702.70
	437,264.08	437,264.08

The value of land recognized under investment properties if carried at cost as at June 30, 2019 is ₱239.9 million.

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

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

16. Other Noncurrent Assets

	As of September 30, 2019	As of June 30, 2019
Advances for land maintenance	**217,851.49**	211,935.41
Deferred charges	**.00**	
Recoverable deposits	**13,517.94**	7,282.14
Others	**36,543.98**	36,426.03
	267,913.41	255,643.59

Advances for land maintenance refers to cash advanced for purposes of future land preparation activity.

17. Trade and Other Payables

	As of September 30, 2019	As of June 30, 2019
Trade payables	**173,552.52**	181,862.44
Accruals:		
Freight and transportation	**237.45**	228.47
Interest and penalties	**3,021.28**	2,907.11
Spare parts, supplies and inventory cost	**23,524.03**	22,635.06
Taxes	**14,099.37**	13,566.56
Professional fees	**5,899.25**	5,676.32
Salaries, wages and other benefits	**10,571.69**	10,172.19
Others	**2,823.15**	2,716.47
Advances from related parties	**14,385.21**	14,385.91
Dividends payable	**1,041.21**	1,041.21
Estimated liability for cash surrender value	**2,527.35**	2,527.35
Customers' advances	**618.03**	618.03
Other payables	**23,089.47**	24,259.53
	275,390.01	282,596.63

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

18. **Notes Payable**

Short-term Bank Notes

	As of September 30, 2019	As of June 30, 2019
Workig capital facilities	**975,000.00**	975,000.00
Promissory notes	**17,890.82**	17,890.82
	992,890.82	992,890.82

Working Capital Facilities Agreement (WCFA)
The Group has an existing WCFA with BDO. Under the WCFA, the Group can avail short-term loan totaling up to ₱975.0 million at 6.50% interest rate per annum in 2019.

Promissory Notes
The promissory notes are for a period of one year or shorter with an interest rate of 6.50% per annum and to be repriced every 30 to 180 days as agreed by the parties.

Total interest expense incurred for all short-term notes amounted to ₱14.9 million and ₱ 59.5 million as at September 30, 2019 and June 30, 2019 respectively.

19. **Cost of Goods Sold**

	Three Months Ended September 30		
	2019	**2018**	**2017**
Salaries, wages bonuses and other benefits	**15,590.87**	14,824.29	13,562.41
Repairs & Maintenance	**1,679.53**	1,828.16	35,528.20
Inventory cost,spare parts and supplies	**87,011.17**	106,271.57	159,761.73
Depreciation and amortization	**29,959.48**	27,843.90	25,268.33
Freight and transportation	**2,888.39**	745.90	781.03
Security and outside services	**8,108.80**	6,631.69	8,863.46
Power and steam	**4,961.25**	9,402.79	13,068.03
Insurance	**1,269.23**	983.14	1,535.16
Taxes and licenses	**422.64**	637.79	565.28
Others	**2,948.26**	1,498.58	3,350.53
	154,839.62	170,667.81	262,284.17

20. **Cost of Tolling Services**

	Three Months Ended September 30		
	2019	**2018**	**2017**
Salaries, wages bonuses and other benefits	**2,178.86**	2,191.47	2,177.09
Repairs & Maintenance	**327.85**	3,718.08	5,520.55
Spare parts and supplies	**1.41**	2,737.99	1.48
Depreciation and amortization	**2,387.31**	2,879.11	1,773.26
Freight and transportation	**558.81**	476.60	514.91
Security and outside services	**41.87**	185.31	353.05
Power and steam	**963.11**	280.22	219.99
Insurance	**150.94**	80.01	199.96
Taxes and licenses	**538.23**	670.85	580.34
Others	**136.90**	54.29	71.04
	7,285.28	13,273.94	11,411.66

21. **Cost of Industrial Services**

	Three Months Ended September 30		
	2019	**2018**	**2017**
Salaries, wages bonuses and other benefits	**57.24**	1,133.75	947.21
Repairs & Maintenance	**378.51**	743.80	492.49
Materials	**204.00**	262.35	214.93
Depreciation and amortization	**515.68**	473.60	517.78
Security and outside services	**911.27**	890.93	855.60
Service Cost	**744.13**	.00	.00
Professional fee	**99.50**	874.16	.00
Freight & transportation	**25.97**	20.61	18.50
Retirement	**.00**	.00	.00
Power and steam	**1,399.63**	1,490.50	1,224.92
Insurance	**2.45**	2.94	2.44
Taxes and licenses	**129.50**	40.80	128.27
Others	**127.17**	1,003.28	390.20
	4,595.07	6,936.72	4,792.34

22. **Operating Expenses**

	Three Months Ended September 30		
	2019	**2018**	**2017**
Salaries, wages bonuses and other benefits	**7,538.06**	7,931.37	6,294.91
Repairs & Maintenance	**990.82**	1,283.00	724.03
Management fees nd bonuses	**100.00**	60.00	118.93
Taxes and licenses	**3,358.73**	2,883.46	2,540.08
Depreciation and amortization	**1,047.30**	985.33	982.90
Transportation and travel	**1,730.24**	3,133.75	1,905.37
Security and outside services	**1,729.85**	1,248.80	1,979.97
Service Cost	**543.75**	.00	.00
Rentals	**918.73**	1,023.46	584.69
Light and water	**325.83**	131.35	122.50
Entertainment, amusement and recreation	**191.03**	286.61	322.87
Professional fees	**4,903.90**	5,411.18	4,596.59
Dues and advertisements	**146.24**	147.67	110.64
Postage, telephone and telegram	**54.67**	171.68	173.67
Others	**874.71**	2,412.84	1,320.39
	24,453.87	27,110.51	21,777.51

23. **Nature of Expense**

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

	Three Months Ended September 30		
	2019	**2018**	**2017**
Cost of goods sold (see Note 21)	**29,959.48**	27,843.90	25,268.33
Cost of tolling services (see Note 22)	**2,387.31**	2,879.11	1,773.26
Cost of industrial services (see Note 23)	**515.68**	473.60	517.78
Operating expenses (see Note 24)	**1,047.30**	985.33	982.90
	33,909.77	32,181.94	28,542.26

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

	Three Months Ended September 30		
	2019	**2018**	**2017**
Cost of goods sold			
Salaries, wages, bonuses and other benefits	**15,590.87**	14,824.29	13,562.41
Cost of tolling services			
Salaries, wages, bonuses and other benefits	**2,178.86**	2,191.47	2,177.09
Cost of industrial services			
Salaries, wages, bonuses and other benefits	**57.24**	1,133.75	947.21
Operating expenses			
Salaries, wages, bonuses and other benefits	**7,538.06**	7,931.37	6,294.91
	25,365.03	26,080.89	22,981.61

24. **Retirement Cost**

Parent Company

The Parent Company maintains a tax-qualified, funded, noncontributory defined benefit retirement plan covering substantially all of its permanent employees. The benefits are based on years of service and compensation during the latest year of employment. The latest retirement valuation was made as at June 30, 2019.

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

25. **Related Party Transactions**

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

26. **Agreements**

Milling Agreements

The Group's milling agreements with various planters provide for a 67.0% and 33.0% sharing between the planters (including related parties) and the Group, respectively, of sugar and molasses produced every crop year. As a consequence of the milling agreements and tolling contracts (for refined sugar) with planters and traders, the Group holds the sugar stock of the planters and traders for safekeeping.

Lease Agreement

In previous years, the Group transferred its main office and entered into an operating lease agreement with First Lucky Place Corporation, commencing on December 1, 2014 ("initial Lease Term"), extendible at the option of the Lessee for an additional period of three years ("extended Lease Term") subject to mutually acceptable rates, terms, and conditions. The Group paid advance rental and security deposit amounting to ₱0.9 million and ₱0.8 million, respectively. Rental expense recognized in the consolidated statements of income amounted to ₱.9 million and ₱3.6 million as at September 30, 2019 and June 30, 2019 respectively.

27. **Equity**

Capital Stock

The Parent Company's shares of stock were listed in the PSE on April 12, 1977. The authorized capital stock of the Parent Company at that time is 40,000,000 shares at ₱10 par value. In 2016, the Parent Company executed a 10 for 1 stock split decreasing the par value to ₱1 per share. As at June 30, 2019 and 2018, the authorized capital stock is 400,000,000 shares and the issued shares is 282,545,960 shares. There was no active trading on the Parent Company's outstanding shares in the PSE until the Philippine SEC issued an order on January 29, 2014 lifting the order of suspension made in 2010 in relation to the registration of and permit to sell the said securities.

The total number of shareholders is 392 as at June 30, 2019.

Retained Earnings

As of June 30, the balance of retained earnings is as follows:

	2019	2018
Unappropriated	**₱182,115,038**	(₱104,702,606)
Appropriated	**2,350,000,000**	2,300,000,000
	₱ 2,532,115,038	₱ 2,195,297,394

On June 27, 2019, the BOD reversed previously appropriated retained earnings amounting to
₱2.30 billion. Also on the same date, the BOD approved the appropriation of its retained earnings amounting to ₱2.35 billion in anticipation of the following projects which are expected to happen within the next four to five years:

- ₱925.0 million for sugar business expansion which will cover the following:
  - intensified leasing of land for the purpose of increasing cane tonnage;
  - investment in logistics, such as additional trucks and trailers to improve delivery time;
  - upgrade of the refinery machineries and more robust yearly repairs; and
  - research and development costs to identify potential areas for improvement to increase cane tonnage to one million.

- ₱525.0 million for rum production which will cover the additional investment needed for bottling and mixing facilities to increase production capacity and costs for brand study.

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

No dividend declaration was made for the year ended June 30, 2019. On June 28, 2018, the BOD declared dividends amounting to ₱50.9 million at ₱0.18 per share out of the Group's retained earnings as at March 30, 2018.

Basic/Diluted Earnings Per Share

The basic/diluted earnings per share for the years ended June 30, 2019, 2018 and 2017 are computed as follows:

	September 30, 2019	June 30, 2019
Net Income	-62,408.24	338,051.91
Weighted average number of shares		
Issued	282,545.96	282,545.96
Less treasury shares	7.20	7.20
	282,538.76	282,538.76
Basic/diluted earnings per share	**-₱0.22**	**₱1.20**

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

There are 7,200 shares that are in the treasury amounting to ₱7,200 as at September 30, 2019 and June 30, 2019.

28. **Fair Value Measurement and Financial Instruments**

The following table provides the fair value measurement hierarchy of the Group's assets that are carried at fair value:

	2019			
	Fair Value Measurement Using			
	Quoted Prices in Active Markets (Level 1)	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Asset Measered At Fair Value				
Property, plant and equipment				
Land			996,790.40	996,790.40
Investment Property			437,264.08	437,264.08
Financial asset at FVOCI	118,582.57			118,582.57
	118,582.57	**.00**	**1,434,054.48**	**1,552,637.05**

	2018			
	Fair Value Measurement Using			
	Quoted Prices in Active Markets (Level 1)	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Asset Measered At Fair Value				
Property, plant and equipment				
Land			810,550.40	810,550.40
Investment Property			223,561.38	223,561.38
AFS Financial assets - quoted	173,787.54			173,787.54
	173,787.54	**.00**	**1,034,111.78**	**1,207,899.32**

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

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

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

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

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

Unobservable Inputs	**Amounts or Percentage of Unobservable Inputs**	**Relationship of Unobservable Inputs to Fair value**
Sale/asking price per s.q.m.	₱ 1000 to ₱ 1,300	The higher the value the higher the fair value
Conditions on sale of comparable properties	20.0%	The more onerous the conditions in contract of sale of comparable properties, the higher the fair value
Physical Adjustments	40.0%	The superiority of the quality of the Group's land, the higher the fair value

Fair value of all other assets and liabilities approximates their carrying values as at June 30, 2019 and are disclosed in their respective notes. Below are the descriptions of the Group's financial instruments that are carried in the consolidated financial statements as at June 30, 2019.

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

<u>Financial Assets at FVOCI (AFS financial assets in prior period)</u>
The fair value of the listed shares of stock are determined in reference to quoted market bid prices at the close of business on the reporting date since these are mostly actively traded in organized financial market.

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

29. Financial Risk Management Objectives and Policies

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

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

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

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

	September 30, 2019			
	Within 30 Days	Within 1 Year	Above 1 Year	Total
Notes payable	14,579.93	992,890.82	.00	**1,007,470.75**
Trade payable	748.92	172,803.60		**173,552.52**
Due to related parties		14,385.21		**14,385.21**
Accruals		60,176.22		**60,176.22**
Others		23,089.47		**23,089.47**
	15,328.85	**1,263,345.32**	**.00**	**1,278,674.17**

	June 30, 2019			
	Within 30 Days	Within 1 Year	Above 1 Year	Total
Notes payable		993,624.48	.00	993,624.48
Trade payable	784.78	181,077.67		181,862.44
Due to related parties		14,385.91		14,385.91
Dividend payable				.00
Accruals		42,539.46		42,539.46
Others		23,846.72		23,846.72
	784.78	1,255,474.24	.00	1,256,259.02

The financial liabilities in the above tables are gross undiscounted cash flows.

However, those amounts may be settled by using the following financial assets:

	September 30, 2019			
	Within 30 Days	**Within 1 Year**	**Above 1 Year**	**Total**
Cash and cash equivalents	171,127.26			171,127.26
Receivables:				
Trade	1,140.24	27,365.73		28,505.97
Receivable from real estate contractors		.00	16,328.03	16,328.03
Planter's receivables		6,580.16		6,580.16
Notes receivable from planters	-	5,594.88	18,905.12	24,500.00
Due from related parties		955,919.22		955,919.22
Advances		22,040.43		22,040.43
Others		5,314.13		5,314.13
Financial assets at FVOCI	118,744.57			118,744.57
	291,012.07	**1,022,814.55**	**35,233.15**	**1,349,059.77**

	June 30, 2019			
	Within 30 Days	**Within 1 Year**	**Above 1 Year**	**Total**
Cash and cash equivalents	213,611.50			213,611.50
Receivables:				
Trade	3,083.91	68,913.30		71,997.20
Receivable from real estate contractors	-		16,305.27	16,305.27
Planter's receivables	-	5,835.77		5,835.77
Notes receivable from planters	-	5,594.88	18,905.12	24,500.00
Due from related parties	304.70	908,352.50		908,657.20
Advances	-	28,585.30		28,585.30
Others	-	15,173.47	1,203.74	16,377.20
Financial assets at FVOCI		118,744.57		118,744.57
	217,000.11	**1,151,199.78**	**36,414.12**	**1,404,614.01**

Credit Risk

Credit risk is the risk that counterparty will not meet its obligation under a financial instrument leading to a financial loss. The Group imposes cash basis approach in its sales transaction to lower exposure to credit risk.

With respect to credit risk arising from other financial assets of the Group, which comprise cash in banks and cash equivalents, receivables, and financial assets at FVOCI (AFS financial assets in prior period), exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments as stated below:

	September 30, 2019	**June 30, 2019**
Cash and cash equivalents	171,127.26	213,611.50
Receivables:	1,059,187.94	1,072,257.93
Financial assets at FVOCI	118,744.57	118,744.57
	1,349,059.77	1,404,614.01

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

The Groups cash and cash equivalents and investment in shares of stock are neither past due nor impaired. The analysis of the Group's receivable is as follows:

	September 30, 2019					
	Total	Neither Past Due nor Impaired	Past Due but not Impaired			Impaired
			30 Days	90 Days	More than 150 Days	
Trade	28,505.97	28,263.87				242.10
Receivable from real estate contractors	16,328.03				13,439.73	2,888.30
Planter's receivables	6,580.16		1,075.89			5,504.27
Due from related parties	955,919.22	22,418.31			933,154.75	346.17
Advances	46,540.43	46,491.55				48.88
Others	5,314.13	5,314.13			.00	
	1,059,187.94	**102,487.85**	**1,075.89**	**.00**	**946,594.48**	**9,029.71**

	June 30, 2019					
	Total	Neither Past Due nor Impaired	Past Due but not Impaired			Impaired
			30 Days	90 Days	More than 150 Days	
Trade	71,997.20	71,755.10				242.10
Receivable from real estate contractors	16,305.27				13,416.97	2,888.30
Planter's receivables	5,835.77		331.50			5,504.27
Due from related parties	908,657.20	21,309.91			887,001.12	346.17
Advances	28,585.30				28,536.42	48.88
Others	40,877.20	40,877.20			.00	
	1,072,257.93	**133,942.22**	**331.50**	**.00**	**928,954.50**	**9,029.71**

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

	September 30, 2019		
	Grade		
	High	Standard	Total
Loans and receivables:			
Cash and cash equivalen	171,127.26	.00	171,127.26
Trade receivables	28,263.87	.00	28,263.87
Advances	46,540.43	.00	46,540.43
Others	5,314.13	.00	5,314.13
Financial assets at FVOCI			
Proprietary	118,744.57	.00	118,744.57
Listed	382.57	.00	382.57
Unlisted		162.00	162.00
	370,372.83	**162.00**	**370,534.83**

	June 30, 2019		
	Grade		
	High	**Standard**	**Total**
Loans and receivables:			
Cash and cash equivalen	213,611.50	.00	213,611.50
Trade receivables	71,755.10	.00	71,755.10
Due from related party	21,209.91	.00	21,209.91
Others	40,877.20	.00	40,877.20
Financial assets at FVOCI			
Proprietary	118,200.00	.00	118,200.00
Listed	382.57	.00	382.57
Unlisted	162.00	162.00	324.00
	466,198.30	**162.00**	**466,360.30**

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

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

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

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

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

	September 30, 2019	June 30, 2019
Notes Payable	**992,890.82**	992,890.82
Trade & other payables	**275,390.01**	282,596.63
Income tax payable	**15,674.34**	15,674.34
Deposits	**12,434.94**	11,949.59
Other liabilities	**24,397.50**	26,214.64
Total Debt (a)	**1,320,787.61**	1,329,326.01
Equity	**3,940,393.18**	4,002,801.41
Total debt and equity (b)	**5,261,180.79**	5,332,127.42
Gearing ratio (a/b)	**0.25**	0.25

PART I - BUSINESS AND GENERAL INFORMATION

A. Description of Business

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

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

Products and By-Products

Raw and Refined Sugar

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

The mill's sugar sales and the refinery's tolling fees represent approximately 35% and 20%, respectively, of the Company's total revenues. The raw and refined sugars produced are sold to industrial users through traders. The Company operates within 4 to 5 months while the refinery operates between 5 to 6 months within the crop year.

Alcohol

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

Carbon Dioxide

The slops emanating from the distillery are captured by the carbon dioxide plant to produce liquid carbon dioxide. The plant has a capacity of 30,000 kilos per day and operates for 4 to 5 months of the year. Carbon Dioxide sales account for 1-3% of the Company's total revenues in the last three years and are sold to industrial users.

Industrial Services

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

Industrial Profile

The latest revision of the world sugar balance for the 2018-19 season (October/September) points to a global surplus estimated at 1.83 MMT (million metric tons), raw value. This is 7.24 MMT or 80% lower than the surplus posted in 2017-18 equivalent to 9.07 MMT and also the second consecutive season of excess production over consumption. The world sugar production for 2018-2019 is estimated at 178.74 MMT, lower by 2% or 4.49 MMT from 2017-2018's 183.23 MMT. While the projected output from Brazil is expected to be lower, this was compensated by the higher production in both Thailand and India that proved material in their contributions to the world surplus. On the other hand, the global consumption of sugar is placed at 176.91 MMT. This is higher by 2.75 MMT or 2% compared to the previous season but is generally in line with the 10-year average global sugar consumption growth pattern of 1.4% - 1.6% annually. Note that sizeable surplus stocks are still overhanging in the world market, as it grew even further by almost 2% from 93.15 MMT to 94.89 MMT. The stock consumption ratio is now estimated at a higher 54% from the previous 53%. Hereunder are the latest world sugar balance figures:

	World Sugar Balance (Million Metric Tons, Raw Value)			
	2018-19	2017-18	Change	
			in MMT	in Percent
Production	178.75	183.24	(4.49)	-2%
Consumption	176.91	174.17	2.75	2%
Surplus/(Deficit)	1.83	9.07	(7.24)	-80%
Import Demand	57.58	58.92	(1.34)	-2%
Export Availability	58.22	59.88	(1.66)	-3%
End Stocks	94.98	93.15	1.83	2%
Stock/Consumption Ratio, in percent	**54%**	**53%**		

Due to the lack of market fundamentals in the course of the season, market values moved in a very limited range of between 12 – 15 cents per pound. Any hope of recovery in values was dampened by the large stocks accumulated since the 2017-2018 season.

CANE TONNAGE - PHILIPPINES - CY 2018-19 & CY 2017-18						
M I L L S	**TONS CANE MILLED**				**% SHARE IN TOTAL**	
	2018-19	**2017-18**	**GROWTH**	**%**	**2018-19**	**2017-18**
LUZON						
Cagayan	110,851	180,405	(69,554)	-38.55%	0.51%	0.76%
Bicol	107,002	153,910	(46,908)	-30.48%	0.49%	0.65%
Batangas	1,158,148	1,620,372	(462,224)	-28.53%	5.32%	6.79%
Pampanga	112,083	138,481	(26,398)	-19.06%	0.51%	0.58%
Tarlac	452,550	649,578	(197,028)	-30.33%	2.08%	2.72%
VISAYAS						
Panay	1,555,520	1,774,990	(219,470)	-12.36%	7.14%	7.44%
Eastern Visayas	516,537	608,571	(92,034)	-15.12%	2.37%	2.55%
Negros	13,762,877	14,790,550	(1,027,673)	-6.95%	63.16%	61.99%
MINDANAO	4,013,281	3,944,067	69,214	1.75%	18.42%	16.53%
Total	**21,788,849**	**23,860,924**	**-2,072,075**	**-8.68%**	**100.00%**	**100.00%**

The local sugar industry started the year hoping to produce an estimated 2.23 MT of sugar for the season, barely enough to sustain both our domestic requirement and the US quota commitment. Given the perceived tightness of supply despite the recent importation of 200,000 tons of imported sugar under Sugar Order No. 10 s. 2017-18, the prices of the domestic sweetener rose to as high as ₱55 per kilo raw or ₱1,980 per L-Kg raw wholesale. In the case of refined sugar, the retail price went as high as ₱64 per kilo or ₱2,550 per L-Kg wholesale. Expectedly, these high prices resulted in a higher inflation rate which compelled the government to issue Administrative Order No. 13 s. 2018 mandating the adoption of measures to streamline administrative procedures to allow the importation of agricultural products that will address the shortfall in supply and ensure stable prices of agricultural products in the domestic market. In short, the Sugar Regulatory Administration (SRA) released Sugar Order No. 2 dated October 1, 2018 authorizing the importation of sugar to arrest the spiraling prices and inflation rate. Sugar Order No. 2 s. 2018-19 resulted in the release of close to 290,000 metric tons of imported sugar to the domestic market and the eventual softening of the local prices to around ₱2,000 per L-Kg for refined sugar.

As the season progress, industry leaders and the SRA realized that due to the generally unfavorable weather conditions throughout the country the targeted 2.22 million tons of raw sugar may not be attained. The unfavorable weather condition was further exacerbated by the reported drop of some 8,000 hectares in the total area planted to cane mainly due to the conversion of sugar plantations to other crops. True enough, actual total raw production for the year reached a much lower 2.074 million tons, lower by 151,000 tons or 7% than what was originally expected. On the other hand, the total canes milled for the season was posted at 21.79 million tons cane. This is lower by 9% or 2.07 million tons cane when compared against the previous year's 23.86 million tons cane. Recovery was however at a higher 1.90 vs. 1.75 L-Kg per ton cane milled.

Among all the major sugar-producing regions in the country, only the mills in Mindanao posted higher cane tonnage for the season at 4.01 million tons cane, up by 2% from the previous 3.94 million tons cane. The mills in Luzon, hardest hit by the generally unfavorable weather all throughout the season, posted the highest drop in the total canes milled with the combined tonnage dropping a huge 29% or 802,112 tons cane, to a total of 1,940,634 tons. The two mills in Eastern Visayas posted a combined tonnage of 516,537 tons, lower by 15% or 92,034 tons. Canes hauled in Panay for the year totaled 1,555,520 tons, lower by 12% or 219,470 tons when ranged against the previous season. The decline in tonnage lowest in Negros where canes milled dropped by 7%, from a total of 14,790,550 tons to a lower 13,762,877 tons. And as previously mentioned, the higher recovery failed to offset the effect of the drop in tonnage as raw sugar output dropped 0.5% year on year, from 41,672,820 L-Kg bags to 41,482,820 L-Kg bags.

Competition

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

The total available canes in Central Luzon dropped by 28% or 223,246 tons, from 788,059 tons to 564,633 tons. Of the total this year, CAT milled 80% or 452,550, while the remaining 112,083 tons were processed by a neighboring mill which is Sweet Crystal. The combined average recovery was posted at 1.68 L-Kg bags raw per ton cane milled, higher by 7% from last year's 1.57 L-Kg bags raw per ton cane milled.

CANE TONNAGE - CENTRAL LUZON - CY 2019 & CY 2018						
MILLS	TONS CANE MILLED				% SHARE IN TOTAL	
	2018-19	2017-18	GROWTH	%	2018-19	2017-18
Sweet Crystal	112,083	138,481	-26,398	-19%	20%	18%
Tarlac	452,550	649,578	-197,028	-30%	80%	82%
Total	**564,633**	**788,059**	**-223,426**	**-28%**	**100%**	**100%**

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

Transactions With and/or Dependence on Related Parties

The Company's transactions with related parties are disclosed in Note 26 (pages 45-47) of the Company's audited financial statements. In addition, the Company's operations are not dependent on its related parties. The Company provides working capital support to its related parties.

Research and Development Spend

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

Government Regulations

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

Cost and effects of compliance with environmental laws

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

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

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Employee

As of June 30, 2019, following is the employee details:

	Exec./Mgrl./Supv.		Rank/File		Retainer/	Total
	Perm.	Prob.	Perm.	Prob.	Consultant	
CAT- TARLAC	95		202		11	308
CAT- MAKATI	9		3		6	18
LLC	4		4			8
TOTAL	**108**	**0**	**209**	**0**	**17**	**334**

Major Risk in the Business of CAT

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

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

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

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

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

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

B. Properties

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

Areas of Reference on its Existing Use	Area in SQM	Percent
Industrial		
Factory Area	593,495	18%
Administrative area	264,535	8%
Not used in business and operation	486,003	14%
Held for sale and development (thru LLC)	2,021,906	60%
Total	**3,365,939**	**100%**

Factory Plants/Buildings Used In Business Operations

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

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

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

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

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

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

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

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

C. Legal Proceedings

The Company is currently not under any legal proceedings.

D. Submission of Matters to a Vote of Security Holders

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

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO ALL SHAREHOLDERS:

Notice is hereby given that the Annual Meeting of the Stockholders of **CENTRAL AZUCARERA DE TARLAC, INC.**, will be held on Tuesday, 21 January 2020, at 10 a.m. at the Luisita Golf & Country Club, San Miguel, Tarlac City. The Agenda for the meeting is as follows:

1. Call to Order
2. Proof of Notice of Meeting
3. Certification of Quorum
4. Reading and Approval of the Minutes of the Annual Meeting of Stockholders held on 29 January 2019
5. Approval of the Annual Report and the Audited Financial Statement for fiscal year ending 30 June 2019
6. Ratification and Confirmation of All Acts and Proceedings of the Board of Directors and Officers Since the last Annual Meeting of the Stockholders
7. Election of Directors
8. Appointment of External Auditor
9. Such Other Matters as may Properly Come Before the Meeting, and
10. Adjournment.

For purposes of said meeting, the Stock and Transfer Books of the Corporation shall be closed for twenty (20) days prior to the scheduled annual meeting, or for the period 1 – 21 January 2020. Accordingly, only stockholders of record as of 1 January 2020 shall be entitled to vote at said annual meeting.

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

29 November 2019.

[redacted]

JANETTE L. PEÑA
Corporate Secretary

CERTIFICATION OF INDEPENDENT DIRECTOR

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

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

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

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

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

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

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

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

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

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

DONE this 3rd day of December 2019, at Makati City, Philippines.

[redacted]

BENJAMIN I. ESPIRITU
Affiant

SUBSCRIBED AND SWORN to before me this 3rd day of December 2019 at Makati City affiant personally appeared before me and exhibited to me his Philippine Passport No. [redacted] valid until 28 May 2028.

[redacted]

ATTY. MARIANNE T. MACARILAY
Notary Public for Makati City
Appointment No. [redacted]
[redacted]
PTR No. [redacted]/Makati City
IBP No. [redacted] Makati City
Roll No. [redacted]

Doc. No. 4;
Page No. 2;
Book No. I;
Series of 2019.

NOTARY PUBLIC
ROLL NO. [redacted]
MAKATI CITY, PHILIPPINES

CERTIFICATION OF INDEPENDENT DIRECTOR

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

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

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

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

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

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

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

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

6. I have sought the permission of the Governor of the Bangko Sentral ng Pilipinas (BSP) who serves as the Chairman of the Board of PICC to be an independent director in CENTRAL AZUCARERA DE TARLAC, and I hereby undertake to submit the written consent of the BSP Governor.

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

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

DEC 04 2019

DONE this ___ day of December 2019, at MAKATI CITY, Philippines.

[redacted]

RENATO B. PADILLA
Affiant

DEC 04 2019

SUBSCRIBED AND SWORN to before me this ___ day of December 2019 at MAKATI CITY affiant personally appeared before me and exhibited to me his Unified Multi-Purpose ID with [redacted]

[redacted]

KARA MAE AURORA R. CHUA
Notary Public for Makati City
Appointment No. [redacted]
[redacted]
PTR No. [redacted] /Makati City
IBP Lifetime [redacted] 16/Ilocos Norte
Roll No [redacted]

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Page No. 84
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NOTARY PUBLIC ROLL NO. [redacted] MAKATI CITY, PHILIPPINES