While in general, the total tonnage for the year grew by 8.5% to 25.2 million tons, seven (7) out of the twenty-seven (27) mills that operated posted lower total canes hauled. These are Pensumil and Tarlac in Luzon, Tolong and Option in Negros, Bogo and Hisumco in Eastern Visayas, and finally San Antonio in Panay. In terms of sugar recovery or LKg-TC, most mills posted lower rates with the exception of San Antonio in Panay and Bogo in Eastern Visayas. The sugar mill in Capiz posted the same year-on-year recovery rate of 1.59 LKg-TC.

Putting a stop to the two years of consecutive decline in cane tonnage, the mill districts in Luzon posted a higher tonnage of 10.8% or by 193,073 tons cane to a total of 1,976,438 tons cane. Contributors to the growth in tonnage were Carsumco, Balayan and Don Pedro. However, all the Luzon-based sugar mills posted lower recoveries, the average drop of which was computed at 12.3% or from 1.79 to 1.57 LKg-TC. As a result, the total raw sugar output in Luzon reached 3,091,580 50-kilogram bags, down by 0.9% or by 28,640 50-kilogram bags year-on-year.

Transactions With and/or Dependence on Related Parties

The Company's transactions with related parties are disclosed in Note 23 (pages 39-41) 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 if deemed necessary.

Research and Development Spend

CAT spends approximately 0.04% - 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 ₱4.0-8.0M annually to maintain its environs safe.

Employee

As of June 30, 2021, following is the employee details:

COMPANY	Exec./Mgrl./Supv.		Rank/File		Retainer/ Consultant	Total
	Perm.	Prob.	Perm.	Prob.		
CAT	105	10	189	17	25	346
LLC	6	-	3	-	1	10
TOTAL	**111**	**10**	**192**	**17**	**26**	**356**

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 provinces of Pampanga, Nueva Ecija and Pangasinan. 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%**

<u>Factory Plants/Buildings Used In Business Operations</u>

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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PART II – SECURITIES OF THE REGISTRANT

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

<u>Market Information</u>

Central Azucarera de Tarlac is a Company whose common shares are listed in the Philippine Stock Exchange since April 1977. The following tables list the Company's Stock Price for the 3-year period from FY 2019-2022 and its last trading date.

Market Information				
Year	**Quarter**	**Period**	**High**	**Low**
2021-2022	1Q	July - September	13.46	10.84
2020 - 2021	1Q	July - September	13.46	10.84
	2Q	October - December	24.10	11.02
	3Q	January - March	16.30	12.70
	4Q	April - June	14.50	12.88
2019 - 2020	1Q	July - September	19.34	15.00
	2Q	October - December	24.00	16.40
	3Q	January - March	18.80	13.04
	4Q	April - June	14.00	11.00
2018 - 2019	1Q	July - September	26.00	17.20
	2Q	October - December	19.70	14.30
	3Q	January - March	18.80	14.60
	4Q	April - June	18.70	14.50

Market Information (Last Trading Date)	
Date	October 8, 2021
Open	14.40
High	14.40
Low	14.30
Close	14.38
Volume	7,000

Holders of Security

The following table enumerates the top 20 shareholders of the Company as of June 30, 2021.

	Name of Stockholder	Citizenship	Amount Subscribed (Php)	No. of Shares Held	% Total Outstanding
1	PCD NOMINEE CORPORATION (FILIPINO)	Filipino	217,037,144	217,037,144	91.00%
2	PCD NOMINEE CORPORATION (FOREIGN)	Various	8,794,041	8,794,041	3.69%
3	ROMULO, MARILES C.	Filipino	441,240	441,240	0.19%
4	OLLER, MA. MERCE FORMENTI	Spanish	430,880	430,880	0.18%
5	SANTIAGO, O' MARINA SOLDEVILLA	Spanish	369,040	369,040	0.15%
6	SENCHERMES, JUAN GALOBART	Spanish	326,160	326,160	0.14%
7	ALCANTARA, VALERIO	Filipino	280,160	280,160	0.12%
8	DELA RIVA, CARMEN GALOBART	Spanish	277,440	277,440	0.12%
9	IRAGORRI, EDUARDO GALLARZA	Spanish	272,560	272,560	0.11%
10	MENDOZA, NESTOR C.	Filipino	250,960	250,960	0.11%
11	MORTON, CHARLES V.	American	243,440	243,440	0.10%
12	CHUA, WILLINGTON	Filipino	233,100	233,100	0.10%
13	CHEE, LIM BENG	Chinese	231,840	231,840	0.10%
14	RECTOR DEL SEMINARIO MAYOR DE SAN CARLOS	Filipino	221,480	221,480	0.09%
15	DELGADO, NELLIE C.	Filipino	219,040	219,040	0.09%
16	FORD, THOMAS J.	American	210,320	210,320	0.09%
17	MARTIN, FRANCISCO LON	Filipino	204,400	204,400	0.09%
18	GUTIERRES, TERESA MARTINEZ VDA DE	Spanish	198,160	198,160	0.08%
19	HEIRS OF MA. VICTORIA MARFA SATRUSTEGUI	Spanish	178,720	178,720	0.07%
20	SATRUSTEGUI, MA. ISABEL MARFA	Spanish	178,720	178,720	0.07%
	TOTAL:		**230,598,845**	**230,598,845**	**96.69%**

The following table lists the security ownership of certain record and beneficial owners the Company owning more than 5% of its Common Shares as of June 30, 2021.

Title of Class	Name	Number of Shares Held	Name of Beneficial Ownership	Citizenship	%
Common Shares	PCD Nominee Corporation*	225,831,185	PCD Nominee Corporation	Various	94.7%
Beneficial ownership through PCD Nominee Corporation					
Common Shares	CAT Resource & Asset Holdings Inc.	201,718,140	Martin P. Lorenzo 102,876,250 shares	Filipino	84.6%
			Fernando C. Cojuangco 98,841,890 shares	Filipino	

The following table identifies the shareholdings of Directors and Officers of the Company as of June 30, 2021.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership		Citizenship	%
Common	Martin Ignacio P. Lorenzo	102,876,250	Indirect	Filipino	43%
		200	Indirect	Filipino	0%
Common	Fernando C. Cojuangco	98,841,890	Indirect	Filipino	41%
		200	Indirect	Filipino	0%
Common	Marco P. Lorenzo	200	Indirect	Filipino	0%
Common	Vigor D. Mendoza II	200	Indirect	Filipino	0%
Common	Fernan Victor P. Lukban	200	Indirect	Filipino	0%
Common	Renato B. Padilla	10	Direct	Filipino	0%
Common	Benjamin I. Espiritu	10	Direct	Filipino	0%
Common	Cecile D. Macaalay	5,000	Indirect	Filipino	0%
Common	Janette L. Peña	0	-	Filipino	0%
Common	Addison B. Castro	0	-	Filipino	0%
Total		**201,724,160**			**85%**

Dividends

2020 – 2021 - ₱ 1.81 per share – November 10, 2020
2019 – 2020 - No dividends declared
2018 – 2019 - No dividends declared
2017 – 2018 - ₱ 0.18 per share – June 28, 2018

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

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

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B. Description of Registrant's Securities

As of June 30, 2021, the Company's Authorized Capital Stock remains at ₱400,000,000 divided into 400,000,000 Common Shares with a par value of ₱1.00 per share. As of the same date, 238,496,840 shares are outstanding and are held by 394 stockholders.

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

On March 15, 2020, the Board of Trustees of Luisita Trust Fund approved the terms of the Agreement (the Agreement) between Luisita Trust Fund and the Parent Company which novates the terms of payment of the loan agreement dated October 15, 2015. In the said Agreement, the Fund shall dispose its CAT shares equivalent to 44,041,920 shares with a total value of ₱369.1 million in favor of the Company. The transaction shall constitute full, complete and final payment of LTF's outstanding obligation under the loan agreement.

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PART III - FINANCIAL INFORMATION

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

Executive Summary

Central Azucarera de Tarlac fundamentally focused on margin preservation to mitigate the adverse effects of the global pandemic.

The Company ended the FY 2020-2021 with an EBITDA of ₱203.4 Million, ₱105.2 Million short in FY2019-2020 EBITDA of ₱308.6 Million largely due to the delay of the sale of inventory of approximately ₱300.0 Million. The strategic deferral of the revenue recognition is to uphold positive margins resulting to an EBITDA margin of 15%.

The decreased consumer consumption and demand, restricted mobility and flat sugar prices contributed to the increased vulnerability to the erosion of profits. The Company managed its costs to the extent possible yet Cost of Goods Sold and Services increased by 5% as a percentage of sales. As a result, Gross Profit dipped to ₱188.7 Million versus P289.7 Million, a decrease of 35%.

Meanwhile, the Company was successful in managing its operating expenses to maintain at 8% or ₱109.5 Million. However, CAT took on additional debt to fund a possible investment to augment future potential earnings. Available cash resources funneled into debt service with increased financing costs.

Net income in FY 2021 declined by 85% ending at ₱12.5 Million. The significant reduction was due to the constrained ability to generate earnings; given the inherent negative effects of the depressed Philippine economy over the last 2 years. Nonetheless, CAT is prepared to bounce to sustainable profitability as it has equated this pandemic period as opportune time to reinvest and recalibrate its strategic directions.

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The following table is the Consolidated Statement of Income of the Company and its subsidiary, Luisita Land Corporation ("LLC"), for the fiscal years ending June 30, 2021, 2020 & 2019.

(In Million Pesos except for Volume, Price & EPS)	**FY 2021**		**FY 2020**		**FY 2019**	
	466,737	**TC**	**470,818**	**TC**	**452,550**	**TC**
VOLUME AND PRICE MATRIX	**Vol**	**P**	**Vol**	**P**	**Vol**	**P**
Raw Sugar Equivalent	270,275	1,516	324,381	1,517	281,895	1,559
Tolling of Refined Sugar	582,643	243	712,859	243	1,020,686	244
Alcohol	5,311,990	64	7,740,939	58	9,175,895	48
Carbon Dioxide	2,104,730	8	1,489,610	10	739,180	6
	AMT	**%**	**AMT**	**%**	**AMT**	**%**
REVENUE	**1,368.61**	**100%**	**1,525.65**	**100%**	**1,612.54**	**100%**
Sugar	409.84	30%	491.98	36%	439.37	32%
Tolling of Refined Sugar	141.49	10%	173.11	13%	249.13	18%
Alcohol	342.02	25%	446.64	33%	443.16	32%
Molasses	121.45	9%	2.45	0%	60.08	4%
Carbon Dioxide	17.10	1%	14.52	1%	4.44	0%
Service Income	289.30	21%	352.50	26%	372.16	27%
Industrial services	42.36	3%	44.46	3%	44.20	3%
Real estate sale	5.06	0%	.00	0%	.00	0%
COST OF GOODS SOLD AND SERVICES	**1,179.91**	**86%**	**1,235.97**	**81%**	**1,276.60**	**79%**
Costs of goods sold and services	1,061.28	78%	1,117.78	73%	1,147.13	71%
Costs of tolling services	95.52	7%	99.88	7%	108.84	7%
Cost of industrial services	23.12	2%	18.31	1%	20.63	0%
GROSS PROFIT	**188.70**	**14%**	**289.68**	**19%**	**335.94**	**21%**
OPERATING EXPENSES	**109.50**	8%	**141.88**	9%	**155.55**	10%
OPERATING PROFIT BEFORE INTEREST AND TAXES	**79.20**	**6%**	**147.79**	**10%**	**180.39**	**11%**
Interest expense and bank charges	**(101.56)**	-7%	**(66.65)**	-4%	**(59.45)**	-4%
Interest income	**4.61**	0%	**24.75**	2%	**29.81**	2%
Gain on fair value change of investment property	**.00**	0%	**.00**	0%	**213.70**	49%
Others - net	**9.98**	1%	**22.58**	1%	**55.76**	3%
INCOME BEFORE TAX	**(7.77)**	**-1%**	**128.47**	**8%**	**420.20**	**26%**
PROVISION FOR INCOME TAX	**-20.31**	**-1%**	**43.37**	**3%**	**66.49**	**4%**
NET INCOME	**12.54**	**1%**	**85.10**	**6%**	**353.71**	**22%**
EBITDA	**203.37**	**15%**	**308.60**	**20%**	**574.72**	**36%**
EPS	**₱0.05**		**₱0.31**		**₱1.25**	

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Plan of Operation

Outlook for FY 2021-2022

The International Sugar Organization (ISO), in its August 2021 report, anticipates a global deficit in CY 2021-22 of 3.82 million tons, a further decline from the CY 2020-21 statistical deficit of 1.45 million tons, raw value. The world production in CY 2021-22 is placed at 170.63 million tons, a marginal improvement from the 170.33 million tons in 2020-21. The anticipated marginal increase in world production in CY 2021-22 will come at the back of three years of continued decline in world output. The key supply feature for CY 2021-22 is the increase in production in beet growing countries which is expected to rise from 35.31 million tons to 37.03 million tons in the coming season. By contrast, the outlook for cane sugar production is forecast to be at around 133.61 million tons or lower by 1.1% from 135.02 million tons in CY 2020-21.

The world sugar consumption in CY 2021-22 is projected to rebound to 174.47 million tons, up by 2.68 million tons or 1.6% from CY 2020-21. However, the ISO's estimate does not include any provision for the impact of Covid-19. If one is to consider the deductions used in CY 2020-21 demand estimate such as changes in the population and in personal consumption pattern, the projected growth in consumption for the 2021-22 season would decline to 0.8% or at around half of the initial estimate of 1.6%.

Hereunder is the latest World Sugar Balance estimate for CY 2021-22:

	World Sugar Balance (Million tons, raw value)			
			Change	
	2021-22	2020-21	in mln t	in percent
Production	170.638	170.335	0.303	0.18%
Consumption	174.467	171.789	2.678	1.56%
Deficit	(3.829)	(1.454)		
Import Demand	60.403	62.064	(1.661)	-2.68%
Export Availability	59.285	62.524	(3.239)	-5.18%
End Stocks	95.346	98.315	(2.969)	-3.02%
Stock/Consumption Ratio, in percent	**54.65%**	**57.23%**		

Given the above estimates, it appears that the world market prices for sugar would remain strong for the coming year. World sugar demand would remain receptive to various Covid-19 developments. And given the progress achieved thru vaccination and treatment, improvements in economic activities should be forthcoming. World market prices are currently on recent highs. The world market price for raw or the Market No. 11 closed at $20.29 (cents) per pound on October 8, 2021, while the London Whites Market or Market No. 5 settled at $519.50 per metric ton of refined sugar. Landed in Manila, these prices should translate to around ₱1,600.0 per bag raw and ₱2,100.00 per bag refined.

For Crop Year 2021-22, the Sugar Regulatory Administration (SRA) estimate the country's sugar production to reach nearly 2.10 million tons, raw value. This is 2% lower than the current 2.14 million tons. This together with the perceived lower carry-over inventory for the coming crop and the lobbying of various planter's groups, the SRA was convinced to temporarily scrap the allocation for "A" or US quota sugar for the upcoming milling season. Effectively, all of the country sugar production for CY 2021-22 is allocated for domestic consumption.

Sugar Classes	Production MMT	% Allocation
"A" or U.S. Market Sugar	-	0%
"B" or Domestic Sugar Market	2.100	100%
"D" or World Sugar Market	-	0%
	2.100	**100%**

The prevailing high world market prices for sugar particularly of the whites and the high cost of freight, which according to cargo handling experts would take the entire 2022 and even beyond to normalize, could be of help in discouraging smuggling of imported refined sugar. Should this happen, and with the coming national election in May 2022 and expected improvement in our economic activities due to gains in the Covid-19 vaccination rate, the demand for domestically produced sugar could post a good growth rate for CY 2021-22. This could then result to more profitable operations for the sugar industry this coming season.

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Management Discussion and Analysis

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

Revenue	FY 2021	FY 2020	FY 2019
Revenue (in millions)	1,368.61	1,525.65	1,612.54
% Growth	-10.3%	-5.4%	23.2%

EBITDA	FY 2021	FY 2020	FY 2019
EBITDA (in millions)	203.4	308.6	574.7
% Growth	-34%	-46%	-35%
EBITDA Margin	15%	20%	36%

Net Income	FY 2021	FY 2020	FY 2019
Net income (in millions)	12.54	85.10	333.32
% Growth	-85%	-74%	-43%
Net Income Margin	1%	6%	21%

Earnings per share	FY 2021	FY 2020	FY 2019
Earnings per share	0.05	0.31	1.18

Milling Recovery	FY 2021	FY 2020	FY 2019
Milling recovery (Lkg/TC)	1.457	1.610	1.720

FY 2021 Review of Operations

Revenues

REVENUES In Million Pesos	2021	2020	2019	Growth %	
				2021 vs 2019	2020 vs 2010
Sugar	409.8	492.0	439.4	-17%	12%
Tolling of Refined Sugar	141.5	173.1	249.1	-18%	-31%
Molasses	121.5	2.5	60.1	4855%	-96%
Alcohol	342.0	446.6	443.2	-23%	1%
Carbon Dioxide	17.1	14.5	4.4	18%	227%
Service Income - Milling Fee	289.3	352.5	372.2	-18%	-5%
Industrial services	42.4	44.5	44.2	-5%	1%
Real estate sale	5.1	.0	.0	0%	0%
TOTAL	**1,368.6**	**1,525.7**	**1,612.5**	**-10%**	**-5%**

For the Fiscal Year 2020-2021, the gross revenues from the sale of products and services amounted to ₱1,368.6M, lower by ₱157.1M as compared to last year's ₱1,525.7M. While molasses revenue contributed ₱119.0M increase, most of the profit centers have observed reductions in quantities sold. Due to unfavorable weather conditions prior to and during the early weeks of the milling season, quality of cane milled suffered that further resulted to the decline in the 50-kg yield per ton cane.

- Sugar sales dropped by ₱82.1M from last year's ₱491.9 following the reduction of the mill share by 54,106 bags due to the low-yielding canes.
- Output of the refinery operations moderated from 712,859 bags to 582,643 resulting to a decrease in tolling income of ₱31.2M as compared to last year's ₱173.1M.
- Decline in alcohol sales by ₱104.6M is due to the strategic inventory buildup of alcohol inventory in line for next year's sale.
- Sustained growth in carbon dioxide sales over the past three years is due to the sale of food-grade, ISO-certified CO_2 to the beverage market.

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Cost of Goods Sold & Milling Services

Cost of goods sold reduced to ₱1,061.3M from last year's ₱1,117.8M or 5%. The following table summarizes the breakdown of cost of goods sold:

COST OF GOODS SOLD AND MILLING SERVICES *In Million Pesos*	2021	2020	2019	Growth %	
				2021 vs 2020	2020 vs 2019
Salaries, wages bonuses and other benefits	84.7	78.8	75.2	7%	5%
Repairs & Maintenance	47.1	49.4	78.5	-5%	-37%
Inventory cost,spare parts and supplies	704.9	755.8	770.9	-7%	-2%
Depreciation and amortization	96.2	116.2	113.9	-17%	2%
Freight and transportation	39.1	32.5	34.5	20%	-6%
Security and outside services	44.1	42.9	40.3	3%	6%
Power and steam	14.6	17.2	5.6	-15%	205%
Insurance	4.6	4.9	7.4	-4%	-34%
Taxes and licenses	9.3	3.2	3.6	192%	-10%
Others	16.7	16.9	17.2	-1%	-2%
TOTAL	**1,061.3**	**1,117.8**	**1,147.1**	**-5%**	**-3%**

- Continued milling operations and lesser work interruptions due to Covid restrictions were observed this year compared to last year, thus resulting to the increase in salaries and wages by ₱5.8M or 7% from last year's total of ₱78.8M.
- Inventory, spare parts and supply diminished to ₱704.9M from ₱755.8M of last year due to lesser consumption of supplemental fuel, molasses and process chemicals.
- Increase in trucking and hauling subsidies given to cane planters caused the freight and transportation account to grow by ₱6.6M or ₱39.1M total this year.
- Power and steam consumed in the production consequently went down by ₱2.6M attributable to lesser sugar and alcohol volume processed.

Cost of Tolling Services

Cost of tolling moderately decreased by ₱4.4M or 4% this year from ₱99.9MM to ₱95.5M. The table summarizes the breakdown of cost of tolling:

COST OF TOLLING SERVICES *In Million Pesos*	2021	2020	2019	Growth %	
				2021 vs 2020	2020 vs 2019
Salaries, wages bonuses and other benefits	11.2	11.0	11.1	1%	-1%
Repairs & Maintenance	9.6	9.7	12.9	-1%	-25%
Spare parts and supplies	9.8	8.5	11.6	15%	-27%
Depreciation and amortization	6.8	8.1	9.4	-17%	-14%
Freight and transportation	5.5	6.1	7.3	-10%	-17%
Security and outside services	2.7	2.8	3.9	-1%	0%
Power and steam	45.9	49.5	48.3	-7%	2%
Insurance	.6	.6	.8	-6%	-25%
Taxes and licenses	2.8	2.5	2.4	9%	5%
Others	.8	1.1	1.0	-28%	3%
TOTAL	**95.5**	**99.9**	**108.8**	**-4%**	**-8%**

- Power and steam account dropped by ₱3.6M from last year's total of ₱49.5M as a function of lower power consumption in the Refinery Operations.
- Fully depreciated assets and stable spending in CAPEX brought down the depreciation expense by ₱1.3M this year as compared to last year's total of ₱8.1M.
- Efficient handling and movement of refined sugar caused the freight and transportation account to drop, totaling the expenditure to ₱5.5M this year.

Cost of Industrial Services

Cost of industrial services rose by ₱4.8M or 26% from last year's ₱18.3M to ₱21.3M. The table below summarizes the breakdown of operating expenses.

COST OF INDUSTRIAL SERVICES *In Million Pesos*	2021	2020	2019	Growth %	
				2021 vs 2020	2020 vs 2019
Salaries, wages bonuses and other benefits	.3	.3	.3	-5%	10%
Service Cost	6.8	4.2	4.8	63%	-12%
Repairs & Maintenance	1.1	.9	1.3	23%	-31%
Materials	2.2	1.2	1.2	83%	2%
Depreciation and amortization	2.2	2.2	2.0	2%	10%
Security and outside services	4.1	3.7	3.8	12%	-4%
Retirement			1.0	0%	-100%
Utilities	5.3	5.1	5.7	4%	-10%
Rental expense	.2	.0	.0	0%	0%
Professional fee	.2	.2	.0	-16%	0%
Taxes and licenses	.4	.3	.3	29%	-7%
Others	.2	.2	.3	21%	-21%
TOTAL	**23.1**	**18.3**	**20.6**	**26%**	**-11%**

- Service cost grew by ₱2.6M from last year's ₱4.2M by reason of accrual of billings from manpower service provider.
- Repairs and maintenance increased from ₱0.9M to ₱1.1M or 23% due to the repair cost of the generator set in one of the water pump stations.
- Various materials are procured in connection to the expansion of the water concessionaire's operation brought the Materials account to increase by ₱1.0M or a total of ₱2.2M balance of the year.

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Operating Expenses

Operating expenses significantly diminished by ₱32.4M or 23% from last year's ₱141.9M to ₱109.5M. The table below summarizes the breakdown of operating expenses:

OPERATING EXPENSES *In Million Pesos*	2021	2020	2019	Growth %	
				2021 vs 2020	2020 vs 2019
Salaries, wages bonuses and other benefits	32.7	39.1	41.7	-16%	-6%
Repairs & Maintenance	3.6	3.5	6.0	3%	-42%
Management fees and bonuses	.2	.2	.2	-5%	0%
Taxes and licenses	8.7	15.8	28.5	-45%	-45%
Depreciation and amortization	9.0	11.8	9.0	-24%	31%
Transportation and travel	6.9	7.2	10.1	-4%	-28%
Security and outside services	7.0	7.2	7.9	-4%	-8%
Rentals	4.9	3.1	3.6	56%	-12%
Light and water	1.4	1.6	1.2	-13%	32%
Entertainment, amusement and recreation	.9	10.5	11.1	-91%	-5%
Professional fees	26.3	29.8	28.9	-12%	3%
Dues and advertisements	1.5	1.7	2.6	-14%	-35%
Postage, telephone and telegram	.3	2.1	.4	-86%	407%
Bank Charges	.0	.3	.1	-99%	310%
Others	6.2	8.0	4.3	-23%	86%
TOTAL	**109.5**	**141.9**	**155.6**	**-23%**	**-9%**

- Taxes and licenses went down by ₱7.1M or 45% due to one-time tax settlements of the Subsidiary last fiscal year.
- Depreciation and amortization decreased to ₱9.0M from ₱11.8M as a result of the consummation of the depreciable years of various non-mill assets.
- Entertainment, amusement and recreation significantly reduced by ₱9.5M as the company streamlined non-operating costs to preserve profitability margin.
- Professional fees dropped to P26.3M from last year's P29.8M due to the retirement of consultants.

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Balance Sheet Accounts

The table below presents the Balance Sheet Statements of the Company as of fiscal years dated June 30, 2021, 2020 and 2019.

(In Million Pesos)	FY 2021		FY 2020		FY 2019		GROWTH %	
	AMT	%	AMT	%	AMT	%	2021 vs 2020	2020 vs 2019
ASSETS								
Current Assets								
Cash and cash equivalents	107.42	2%	261.26	5%	213.61	4%	-59%	22%
Receivables	1,052.70	18%	881.38	16%	1,063.23	18%	19%	-17%
Inventories	321.23	5%	237.08	4%	153.10	3%	35%	55%
Real estate held for sale and development	988.49	17%	988.49	18%	988.49	17%	0%	0%
Other current assets	770.88	13%	206.64	4%	159.02	3%	273%	30%
	3,240.73	**55%**	**2,574.86**	**48%**	**2,577.45**	**44%**	**26%**	**0%**
Non-current Assets								
AFS financial assets	145.80	2%	112.68	2%	118.74	2%	29%	-5%
Property, plant and equipment								
Land- at revalued amount	996.79	17%	996.79	19%	996.79	17%	0%	0%
Property and equipment- at cost	448.32	8%	501.20	9%	560.59	10%	-11%	-11%
Investment property	437.26	7%	437.26	8%	437.26	8%	0%	0%
Retirement asset	.00	0%	.00	0%	377.95	6%	0%	-100%
Goodwill	502.42	8%	502.42	9%	502.42	9%	0%	0%
Other non-current assets	163.37	3%	233.11	4%	255.64	4%	-30%	-9%
Total Non Current Assets	**2,693.97**	**45%**	**2,783.46**	**52%**	**3,249.41**	**56%**	**-3%**	**-14%**
TOTAL ASSETS	**5,934.70**	**100%**	**5,358.32**	**100%**	**5,826.86**	**100%**	**11%**	**-8%**
LIABILITIES AND EQUITY								
Current Liabilities								
Trade and other liabilities	599.71	10%	461.73	9%	282.60	5%	30%	63%
Short-term notes payable	1,008.36	17%	1,007.84	19%	992.89	17%	0%	2%
Current portion of notes payable	87.41	1%	.00	0%	.00	0%	0%	0%
Deposits	16.07	0%	14.24	0%	11.95	0%	13%	19%
Income tax payable	.00	0%	17.04	0%	15.67	0%	-100%	9%
Other current liabilities	11.62	0%	14.92	0%	11.69	0%	-22%	28%
Total Current Liabilities	**1,723.17**	**29%**	**1,515.78**	**28%**	**1,314.80**	**23%**	**14%**	**15%**
Non-current liabilites								
Notes payable- net of current portion	770.85	13%		0%	.00	0%	0%	0%
Retirement liability	7.21	0%	22.35	0%	.00	0%	-68%	0%
Deferred tax liability	317.69	5%	375.44	7%	494.74	8%	-15%	-24%
Other noncurrent liabilities	8.94	0%	3.81	0%	14.52	0%	135%	-74%
Total Non Current Liabilities	**1,104.69**	**19%**	**401.60**	**7%**	**509.26**	**9%**	**175%**	**-21%**
Equity								
Capital stock	282.55	5%	282.55	5%	282.55	5%	0%	0%
Retained earnings (deficit)	2,213.92	37%	2,633.08	49%	2,532.12	43%	-16%	4%
Revaluation increment	938.87	16%	889.43	17%	889.43	15%	6%	0%
Remeasurement gains on defined benefit liability	-60.74	-1%	-68.21	-1%	220.39	4%	-11%	-131%
Unrealized cumulative gain on AFS financial assets	101.33	2%	73.17	1%	78.33	1%	38%	-7%
Less cost of 44,049,120 shares of stock in treasury	-369.08	-6%	-369.08	-7%	-.01	0%	0%	5125990%
Total Equity	**3,106.83**	**52%**	**3,440.94**	**64%**	**4,002.80**	**69%**	**-10%**	**-14%**
TOTAL LIABILITIES AND EQUITY	**5,934.70**	**100%**	**5,358.32**	**100%**	**5,826.86**	**100%**	**11%**	**-8%**

Cash

The decrease in cash by ₱153.8M or 59% is due from net cash provided by operating activities of ₱159.9M, net cash used in investing activities by ₱672.3M and net cash from financing activities by ₱358.7M.

Receivables

The increase in receivables by ₱171.3M or 10% from ₱881.4M to ₱1,052.7M is due to the advances made to affiliated companies.

Inventories

The surge amounting to ₱84.2M or 35% of the reported ending inventory is due to the unsold alcohol products.

Other current assets

The upturn of ₱564.2M or 273% in other current assets are due to refundable deposits made to acquire parcels of land for expansion program, and advances made to a supplier of sugarcane feedstock to sustain cane expansion program.

AFS financial assets

The increase of ₱33.1M or 29% in available-for-sale assets is due to the increase in the fair valuation of proprietary golf shares owned by the Company.

Other non-current assets

Other non-current assets dropped by ₱69.7M or 30% from ₱233.11.9M to ₱163.4M due to reclassification of advances for land maintenance account.

Trade and other payables

The Company renegotiated its payments to suppliers, thus causing the trade payables account to increase by ₱137.9M from the opening balance of ₱461.7M.

Income tax payable

There is no income tax payment for the year.

Total Stockholders' Equity

The net decrease in Stockholders' Equity of ₱334.1 or 10% is brought about by the reduction of retained earnings by ₱419.2M, movements in the revaluation increment of ₱49.4M, remeasurements gains on defined benefit liability of ₱7.5M and unrealized cumulative loss on AFS of ₱28.1M.

FY 2020 Review of Operations

Revenues

For the Fiscal Year 2019-2020, the gross revenues from the sale of products and services amounted to ₱1,525.7M, lower by ₱86.8M compared with last year's ₱1,612.5M. The substantial decrease in revenue is attributable to lesser volume of raw sugar for refining. Significant drop in tonnage is experienced this year, causing the total raw sugar production for the season to drop by 25% or 262,309 50-kilogram bags to a total of 778,562 50-kilogram bags. The increase of 7% in recovery however, from 1.602 to 1.720 50-kilogram bags per ton cane milled failed to negate the effect of a lower tonnage. The higher recovery rate is attributed to the better quality of canes milled and the improvements in the various aspects of operations. Consequently, mill's share reached 243,966 50-kilogram bags, lower by 25% from the previous 325,910 50-kilogram bags of raw sugar.

- Sugar sales improved by ₱52.6M or 12% due to the increase in tonnage of 18,268.
- Tolling of refined sugar improved by ₱11.0M or 5%, as a result of refining 18,000 tons or 360,000 L-Kg bags of imported raw sugar.
- Alcohol sales grew by ₱164.5M or 59% driven by the combination of increased volume from current year's production and inventory carry-over from last year.
- Carbon dioxide volume and selling price dropped by 56% and 33%, respectively resulted to the decline in carbon dioxide revenues by ₱10.8M or 71%.
- Sustained volume growth in the water sales resulted to the Subsidiary's revenue growth by ₱1.5M or 3%.

Cost of Goods Sold & Milling Services

Cost of goods sold went up by ₱79.0M or 11% this year from ₱711.8M to ₱790.8M.

- Salaries and wages grew by ₱6.7M or 10% as a result of the appointment of key positions and continuous regularization of manpower structure.
- Capital expenditure intensification which provides long term benefits caused the repairs and maintenance to decrease by ₱10.8M or 12%.
- The increase of ₱87.2M or 27% in inventory cost, spare parts and supplies are caused by cane purchase as a strategy for continuous and efficient operation.
- Depreciation and amortization increased by ₱14.2M or 14% as a result of continuous focus on spending in strategic capital expenditures.
- Power and steam decreased by P10.1M or 64% due to shorter milling operation.
- Widened insurance coverage instigated the increase in insurance cost by P2.9M or 64%.

Cost of Tolling Services

Cost of tolling moderately decreased by ₱11.8M or 12% this year from ₱97.0M to ₱108.8M.

- Repairs and maintenance rose by ₱3.3M or 35% as a result of improvements in the refinery equipment in anticipation of the intensified production.
- Freight and transportation increased to ₱2.3M or 45% due to handling and movements of refined sugar inventory.
- Security and outside services decreased to ₱1.3M or 24% as a result of reduction in the manpower and security requirements allocated to the refinery operations.
- Power and steam increased to ₱6.8M or 16% due to the extended operating refinery days.

Cost of Industrial Services

Cost of industrial services slightly declined by ₱0.9M or 4% from last year's ₱21.5M to ₱20.6M.

- Repairs and maintenance declined by ₱0.6M or 22% due to the lesser occurrence of water pump rehabilitation.
- ₱0.4M or 37% rise in spare parts and supplies is brought about by the increase in consumables in the water processing.

Operating Expenses

Operating expenses grew by ₱25.5M or 20% from last year's ₱129.8M to ₱155.3M.

- Taxes and licenses grew by ₱13.2M or 87% due to tax settlements of the Subsidiary.
- Depreciation and amortization increased to P9.0M from P6.9M due to capitalizable repair spending accumulated in the previous years.
- Office rental in the head office caused this account to increase by P0.7M or 23%.
- Light and water consumption of the various office locations increased to 1.2M from P0.8M.

Balance Sheet Accounts

Cash

The decrease in cash by ₱141.5M or 40% is due from net cash provided by operating activities of ₱181.7M, net cash used in investing activities by ₱271.4M and net cash used in financing activities by ₱51.8M.

Receivables

The increase in receivables by ₱141.9M or 15% from ₱921.3M to ₱1,063.2M is due to the advances made to affiliated companies.

Inventories

The decrease amounting to ₱82.6M or 35% of the reported ending inventory is due to the decrease in the alcohol inventory.

Other current assets

The decrease of ₱60.6M or 28% in other current assets is due to realized advances made to suppliers for off-season maintenance requirements in the past period.

AFS financial assets

The decrease of ₱55.2M or 32% in available-for-sale assets is due to the drop in the fair valuation of proprietary golf shares owned by the Company.

Property, Plant and Equipment and Investment Property

The Company reported a net growth of ₱181.2M or 22% in PPE and ₱213.7M or 96% in Investment Property due to the increase in fair valuation of the Company's land.

Retirement asset

Significant change in the fair value of the financial assets held by the Company's Retirement Fund caused the retirement asset to drop by ₱331.5M or 47%.

Other non-current assets

Other non-current assets increased by ₱27.7M or 12% from ₱227.9M to ₱255.6M due to advances for land maintenance, which includes land preparation, cultivation and planting in conjunction with the Company's massive long term plan to increase the tons cane.

Trade and other liabilities and Deposits

The Company settled considerable trade and other liabilities for the fiscal year, causing this account to decrease by ₱268.4M or 49% from ₱551.0M to ₱282.6M.

Income tax payable

Taxable income decreased in the current year, thus causing the tax payable to decrease by 100% or ₱13.7M, from ₱29.3M to ₱15.7M.

Other current liabilities

Other current liabilities increased from ₱5.2M to ₱11.7M or ₱6.5M mainly because of the Company's availment of vehicle loan and other mortgages.

Total Stockholders' Equity

The net increase in Stockholders' Equity of ₱162.5 or 4% is brought about by the reported consolidated net income of ₱336.8M, movements in the revaluation increment of ₱130.4M, remeasurements gains on defined benefit liability of ₱257.8M and unrealized cumulative loss on AFS of ₱46.9M.

FY 2019 Review of Operations

Revenues

For the Fiscal Year 2018-2019, the gross revenues from the sale of products and services amounted to ₱1,240.4M, lower by ₱68.4M compared with last year's ₱1,308.8M. Significant drop in tonnage is experienced this year, causing the total raw sugar production for the season to drop by 25% or 262,309 50-kilogram bags to a total of 778,562 50-kilogram bags. The increase of 7% in recovery however, from 1.602 to 1.720 50-kilogram bags per ton cane milled failed to negate the effect of a lower tonnage. The higher recovery rate is attributed to the better quality of canes milled and the improvements in the various aspects of operations. Consequently, mill's share reached 243,966 50-kilogram bags, lower by 25% from the previous 325,910 50-kilogram bags of raw sugar.

- Sugar sales declined by ₱255.5M or 37% due to the drop in tonnage despite the increase in the composite price of about P147.00 per bag.
- Tolling of refined sugar improved by ₱11.0M or 5%, as a result of refining 18,000 tons or 360,000 L-Kg bags of imported raw sugar.

- Alcohol sales grew by ₱164.5M or 59% driven by the combination of increased volume from current year's production and inventory carry-over from last year.
- Carbon dioxide volume and selling price dropped by 56% and 33%, respectively resulted to the decline in carbon dioxide revenues by ₱10.8M or 71%.
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- Salaries and wages grew by ₱6.7M or 10% as a result of the appointment of key positions and continuous regularization of manpower structure.
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- The increase of ₱87.2M or 27% in inventory cost, spare parts and supplies are caused by cane purchase as a strategy for continuous and efficient operation.
- Depreciation and amortization increased by ₱14.2M or 14% as a result of continuous focus on spending in strategic capital expenditures.
- Power and steam decreased by P10.1M or 64% due to shorter milling operation.
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Cost of tolling moderately decreased by ₱11.8M or 12% this year from ₱97.0M to ₱108.8M.

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- Freight and transportation increased to ₱2.3M or 45% due to handling and movements of refined sugar inventory.
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- ₱0.4M or 37% rise in spare parts and supplies is brought about by the increase in consumables in the water processing.

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- Taxes and licenses grew by ₱13.2M or 87% due to tax settlements of the Subsidiary.

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- Light and water consumption of the various office locations increased to 1.2M from P0.8M.

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Cash

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Other current assets

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Trade and other liabilities and Deposits

The Company settled considerable trade and other liabilities for the fiscal year, causing this account to decrease by ₱268.4M or 49% from ₱551.0M to ₱282.6M.

Income tax payable

Taxable income decreased in the current year, thus causing the tax payable to decrease by 100% or ₱13.7M, from ₱29.3M to ₱15.7M.

Other current liabilities

Other current liabilities increased from ₱5.2M to ₱11.7M or ₱6.5M mainly because of the Company's availment of vehicle loan and other mortgages.

Total Stockholders' Equity

The net increase in Stockholders' Equity of ₱162.5 or 4% is brought about by the reported consolidated net income of ₱336.8M, movements in the revaluation increment of ₱130.4M, remeasurements gains on defined benefit liability of ₱257.8M and unrealized cumulative loss on AFS of ₱46.9M.

LIQUIDITY & SOLVENCY RATIO

Current Ratio

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

Asset to Equity Ratio

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

Debt to Equity Ratio

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

Debt Service Coverage Ratio

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

LIQUIDITY & SOLVENCY RATIO	FY 2021	FY 2020
Current ratio	1.88	1.70
Asset-to-equity ratio	1.91	1.56
Debt-to-equity ratio	0.80	0.44
Debt Service Coverage Ratio	0.17	0.28

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

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

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

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

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

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

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

Changes in and Disagreements with Accountants On Accounting and Financial Disclosures

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

The consolidated fees, net of VAT billed for the last two fiscal years by the Company's external auditor for the Company's annual financial statements audit were ₱1,200,000 for FYs 2019 and 2018.

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

PART IV - MANAGEMENT AND CERTAIN SECURITY HOLDERS

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

Directors, Independent Directors and Executive Officers

The following are the Directors, Independent Directors and Corporate Officers of the registrant. The Directors were elected during the Annual Meeting of Stockholders held on January 26, 2021 to hold office for one (1) year and until their successors are elected and qualified.

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

Martin Ignacio P. Lorenzo, age 56, Filipino, is currently the Chairman & Chief Executive Officer of CAT. Concurrently, he is also the Chairman and Chief Operating Officer of CAT Resource & Asset Holdings Inc. He holds the same position in the investment holding company of CAT, First Lucky Holdings Corporation, and its subsidiaries, namely, Restaurants Concepts Group, Inc., Amang Rodriguez Holdings, Inc. Cocosorbetero Holdings, Inc., Hospitality School Management Group, Inc. Mr. Lorenzo is likewise the Chairman and Chief Executive Officer of Marlor Investments Corporation and holds the same position in its subsidiaries: Blue Mountains Corporation and LAC-DC. He is also the Chairman and President of First Lucky Property Corporation. He currently holds position in other investment companies, namely, St. Tropez Holdings Corporation and Sierra Madre Capital. He is a Director in Familia Lorenzo Foundation, Incorporated. Mr. Lorenzo has over 20 years of extensive experience in investments and operations in various industries including agriculture, manufacturing and food retail. He obtained his BS Management Engineering degree at Ateneo de Manila University in 1986. He obtained his Masters in Business Administration in Wharton Graduate School, University of Pennsylvania, in 1990.

Fernando C. Cojuangco, age 59, Filipino, is currently the President and Chief Operating Officer of the Company. He holds the same position in CAT Resource & Asset Holdings Inc. and is also the Chairman and President of Liberty Insurance Corporation. He is the Chairman & Chief Operating Officer of North Star Estate Holdings. A lawyer by profession, he is a principal partner in MALCOLM Law Offices. Mr. Cojuangco has extensive experience in agriculture, real estate and insurance industries. He is a holder of a Bachelor of Arts degree in Economics from the University of California and Member of the Omicron Delta Epsilon Honors Society. He obtained his Bachelor of Laws degree with honors from the Ateneo de Manila University.

Marco P. Lorenzo, age 60, 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 a lawyer by profession and is a principal partner in MALCOLM Law Offices heading the Practice in Public Utility and Property and Energy Law. He is likewise a Director of CAT Resource & Asset Holdings Inc. Mr. Mendoza was a former Commissioner of the Land Transportation Franchising & Regulatory Board under the Department of Transportation and Communication. He was a former Congressman representing the 1-Utak Party List under the 4th Congress of the Republic of the Philippines. He graduated with a degree of Bachelor of Arts in Economics from the Ateneo de Manila University in 1983. He obtained his Bachelor of Laws degree from the Ateneo de Manila University in 1988.

Fernan Victor P. Lukban, age 60, Filipino, is the 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 undergraduate degrees in Engineering from De La Salle University and graduate degrees in Industrial Economics from the Center for Research & Communication, now University of Asia & the Pacific, Manila. He also has a Master's degree in Business Administration from IESE, Barcelona, Spain.

Renato B. Padilla, age 75, 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 68, Filipino, is an Independent Director of the Company. He is a practicing Certified Public Accountant, President & CEO of Change Management International, Inc. and Chairman of Banco de Mindoro, Inc. He was Dean of Far Eastern University Makati, and Chair of the Accounting, Finance, Business and Governance Department of the De La Salle University Graduate School of Business. He served as Governor of the Province of Oriental, Mindoro. He earned his Ph.D., Major in Public

Administration from the University of Santo Tomas, Master in National Security Administration from the National Defense College of the Philippines, Master of Business Administration and Bachelor of Science in Commerce, Major in Accounting degrees from De La Salle University.

Cecile D. Macaalay, age 53, Filipino, is the Chief Finance Officer of the Company. She is a practicing Certified Public Accountant. She is also the Chief Finance Officer of First Lucky Holdings Corporation and the Director of its subsidiaries such as RestaurantConcepts Group, Inc., LAC -DC and Cocosorbetero Holdings, Inc. She is also the Treasurer of CAT Resource & Asset Holdings, Inc. and Assistant Treasurer of Amang Rodriguez Holdings, Inc.. She obtained her Bachelor of Science Degree in Business Administration and Accountancy at University of the Philippines in 1990.

Janette L. Peña, age 61, Filipino, is the current Corporate Secretary the Company. She is also the Corporate Secretary of CAT Resource & Asset Holdings Inc. and First Lucky Holdings Corp. Ms. Peña is an Independent Director of The Manufacturer's Life Insurance Co. (Phils), Inc. Manulife Financial Plans, Inc., Manulife Chinabank Life Assurance Corporation, China Oceans Philippines, Inc., and Corporate Secretary for Macondray Philippines Co., Inc., other subsidiaries, among others. Ms. Peña graduated from the University of the Philippines with a Bachelor of Science degree in Business Economics (Cum laude). She received her Bachelor of Laws from the University of the Philippines College of Law (Cum laude) and ranked first in the 1985 Philippine Bar Exams. She completed her Master of Laws in Harvard Law School.

Addison B. Castro, age 58, Filipino, is the Assistant Corporate Secretary of the Company. Atty. Castro is a practicing lawyer and a Principal Partner of Gatchalian Castro & Mawis Law Offices. He is a professor of the Lyceum of the Philippines University, College of Law since 2008. He graduated with a degree of Bachelor of Science in Applied Economics at the De La Salle University in 1983. He obtained his Bachelor of Laws degree from the Ateneo de Manila University in 1988.

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Family Relationships

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

Identification of Significant Personnel

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

Involvement in Certain Legal Proceedings

None of the directors and officers was involved during the past five years in any bankruptcy proceedings. Neither have they been convicted by final judgment in any criminal proceeding or being subject to a pending criminal proceeding, or being subject to any order, judgment or decree of any competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities; nor being found in a civil action to have violated a securities or commodities law, and the judgment has not been reversed, suspended or vacated. As of the years ended June 30, 2021 and June 30, 2020, the Company is not involved in any litigation it considers material.

B. Executive Compensation

The following table summarizes the compensation of key management personnel of the Company for the fiscal years June 30, 2021, 2020 and 2019.

FY 2020-2021						
Name	**Position**	**Salary & Professional fees**	**Bonus**	**Transportation**	**Per Diem**	**Total**
July 1, 2020 - June 30, 2021						
Martin Ignacio P. Lorenzo	Chairman of the Board & CEO					
Fernando Ignacio C. Cojuangco	President & COO					
Marco P Lorenzo	Director	₱17,610,304	₱994,465	₱1,572,387	₱199,500	₱20,376,656
Cecile D. Macaalay	Chief Finance Officer					
Marcelo P. Karaan II	VP for Human Resources					
All Other Officers & Directors as a group						
TOTAL		**₱17,610,304**	**₱994,465**	**₱1,572,387**	**₱199,500**	**₱20,376,656**

FY 2019-2020						
Name	**Position**	**Salary & Professional fees**	**Bonus**	**Transportation**	**Per Diem**	**Total**
July 1, 2019 - June 30, 2020						
Martin Ignacio P. Lorenzo	Chairman of the Board & CEO					
Fernando Ignacio C. Cojuangco	President & COO					
Marco P Lorenzo	Director	₱17,560,647	₱6,960,859	₱1,784,659	₱220,000	₱26,526,165
Cecile D. Macaalay	Chief Finance Officer					
Marcelo P. Karaan II	VP for Human Resources					
All Other Officers & Directors as a group						
TOTAL		**₱17,560,647**	**₱6,960,859**	**₱1,784,659**	**₱220,000**	**₱26,526,165**

FY 2018-2019						
Name	**Position**	**Salary & Professional fees**	**Bonus**	**Transportation**	**Per Diem**	**Total**
July 1, 2018 - June 30, 2019		₱17,871,550	₱4,797,467	₱2,629,828	₱220,500	₱25,519,345
Martin Ignacio P. Lorenzo	Chairman of the Board & CEO					
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**

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

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

Security Ownership of Certain Record and Beneficial Owners

The following table identifies the security ownership of certain record and beneficial owners the Company owning more than 5% of its Common Shares as of June 30, 2021.

Title of Class	Name	Number of Shares Held	Name of Beneficial Ownership	Citizenship	%
Common Shares	PCD Nominee Corporation*	225,848,385	PCD Nominee Corporation	Filipino	94.7%
**Beneficial ownership through PCD Nominee Corporation*					
Common Shares	CAT Resource & Asset Holdings Inc.	201,718,140	Martin P. Lorenzo 102,876,250 shares	Filipino	84.6%
			Fernando C. Cojuangco 98,841,890 shares	Filipino	

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Security Ownership of Management

The following table identifies the security ownership of Management as of June 30, 2021.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership		Citizenship	%
Common	Martin Ignacio P. Lorenzo	102,876,250	Indirect	Filipino	43%
		200	Indirect	Filipino	0%
Common	Fernando C. Cojuangco	98,841,890	Indirect	Filipino	41%
		200	Indirect	Filipino	0%
Common	Marco P. Lorenzo	200	Indirect	Filipino	0%
Common	Vigor D. Mendoza II	200	Indirect	Filipino	0%
Common	Fernan Victor P. Lukban	200	Indirect	Filipino	0%
Common	Cecile D. Macaalay	5,000	Direct	Filipino	0%
Total		**201,724,140**			**85%**

PART V - CORPORATE GOVERNANCE

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

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

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

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

The Company's Annual Corporate Governance Report is filed separately.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on _______________ 2021:

By:

MARTIN P. LORENZO
Chairman of the Board and CEO

FERNANDO C. COJUANGCO
President and COO

JANETTE L. PEÑA
Secretary

CECILE D. MACAALAY
Chief Finance Officer

LORA MAY M. CADA
Finance Manager

SUBSCRIBED AND SWORN to before me this day of OCT 14 2021 2021 affiant (s) exhibiting to me their PASSPORT ID's as follows:

NAME	ID No	EXPIRING ON
Martin Ignacio P. Lorenzo	P2692974B	Jul. 31, 2029
Fernando C. Cojuangco	P2304918A	Mar. 14, 2022
Janette L. Pena	P5811162A	Jan. 28, 2028
Cecile D. Macaalay	P5371888A	Dec. 17, 2022
Lora May M. Cada	P7254581A	May 21, 2028

Doc. No. 168
Page No. 35
Book No. II
Series of 2021

NOTARY PUBLIC
ROLL NO. 73084
ATTY. MARIANNE JEZELLE JEM T. MACARILAY
MAKATI CITY PHILIPPINES

ATTY. MARIANNE JEZELLE JEM T. MACARILAY
Notary Public
Appointment No. M-579/ until December 31, 2020
4th Floor Jose Cojuangco & Sons Bldg.,
119 Dela Rosa corner Palanca Sts.,
Legaspi Village, Makati City
PTR No. 8121280/01.06.20/Makati City

Notarial Commission Extended
Until December 31, 2021 per
SC Resolution B.M. No. 3795

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

P W 0 0 0 0 0 7 2 7

COMPANY NAME

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

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A C F S	C R M D	N / A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
N/A	8818-6270	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
394	01/26	06/30

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Cecile D. Macaalay	cdmacaalay@icloud.com	8818-6270	N/A

CONTACT PERSON's ADDRESS

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

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

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

BUREAU OF INTERNAL REVENUE
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OCT 28 2021
EXCISE LT REGULATORY DIVISION

CENTRAL AZUCARERA DE TARLAC

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The Management of **Central Azucarera de Tarlac, Inc. and Subsidiary** (the Group) is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended June 30, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

MARTIN P. LORENZO	**FERNANDO C. COJUANGCO**	**CECILE D. MACAALAY**
Chairman and CEO	President and COO	Chief Finance Officer

SUBSCRIBED AND SWORN to before me this day of OCT 14 2021 2021 affiant(s) exhibiting to me their PASSPORT ID's as follows:

NAME	ID No	EXPIRING ON
Martin Ignacio P. Lorenzo	P2692974B	Jul. 31, 2029
Fernando C. Cojuangco	P2304918A	Mar. 14, 2022
Cecile D. Macaalay	P5371888A	Dec. 17, 2022

Doc. No. 163
Page No. 34
Book No. II
Series of 2021

ATTY. MARIANNE JEZELLE JENI T. MACAULAY
Notary Public
Appointment No. M-579/ until December 31, 2020
4th Floor Jose Cojuangco & Sons Bldg.,
119 Dela Rosa corner Palanca Sts.,
Legaspi Village, Makati City
PTR No. 8121280/01.06.20/Makati City
IBP No. 105159/01.06.20/Makati City
Roll No. 73084

Notarial Commission Extended
Until December 31, 2021 per
SC Resolution B.M. No. 3795

NOTARY PUBLIC ROLL NO. 73084

BUREAU OF INTERNAL REVENUE
OCT 26 2021
EXCISE LT

San Miguel, Tarlac City
Telephone: (045) 491-1089 • Telefax: (045) 491-1084

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SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT

OCT 26 2021
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The Board of Directors and the Stockholders
Central Azucarera de Tarlac, Inc. and Subsidiary
San Miguel, Tarlac City

Opinion

We have audited the consolidated financial statements of Central Azucarera de Tarlac, Inc. and its subsidiary (the Group), which comprise the consolidated balance sheets as at June 30, 2021 and 2020, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended June 30, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated balance sheets of the Group as at June 30, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended June 30, 2021 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

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

Valuation of Land

The Group carries land in its consolidated balance sheet as property, plant and equipment and investment property and accounts for these using the revaluation and fair value model, respectively. Land represents 24.16% of the total consolidated assets of the Group as at June 30, 2021. The determination of the revalued amount and fair value of these parcels of land involves significant management judgments and estimations. The valuation also requires the assistance of the external appraiser whose calculations also depend on certain assumptions, such as sales and listing of comparable properties registered within the vicinity and adjustments to sales price based on internal and external factors. Thus, we considered the valuation of land as a key audit matter.

The disclosures relating to land are included in Note 13 to the consolidated financial statements.

Audit Response

We evaluated the competence and objectivity of the external appraiser by considering its qualifications, experience and reporting responsibilities. We involved our internal specialist in the review of the methodology and assumptions used in the valuation of land. We assessed the methodology adopted by referencing common valuation models and independently comparing the relevant information in the valuation to external factors, such as sales and listings of comparable properties. We also inquired from the external appraiser the basis of adjustments made to the sales price.

Impairment Testing of Goodwill

Under PFRS, the Group is required to test the amount of goodwill for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. As at June 30, 2021, the Group's goodwill attributable to its investment in Luisita Land Corporation (LLC) amounted to ₱502.4 million, which is net of the allowance for impairment of ₱199.7 million. These amounts are considered significant to the consolidated financial statements. In addition, management's assessment process requires significant judgment and is based on assumptions, specifically growth rate, discount rate and selling price of LLC's real estate.

The Group's disclosures about goodwill are included in Note 10 to the consolidated financial statements.

Audit Response

We involved our internal specialist in evaluating the methodology and the assumptions used in determining the recoverable amount. These assumptions include growth rate, discount rate and selling price of LLC's real estate. We compared the key assumptions used, such as growth rate against the historical performance of LLC and other relevant external data. We tested the parameters used in the determination of the discount rate against market data. We compared the selling price used in the assumptions against comparable properties within the vicinity. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive specifically those that have the most significant effect on the determination of the recoverable amount of goodwill.

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Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended June 30, 2021, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended June 30, 2021 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

OCT 26 2021

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

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

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

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

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

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

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

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

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

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

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

SYCIP GORRES VELAYO & CO.

Maria Veronica Andresa R. Pore
Partner
CPA Certificate No. 90349
Tax Identification No. 164-533-282
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 0662-AR-4 (Group A)
November 21, 2019, valid until November 20, 2022
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-071-2020, December 3, 2020, valid until December 2, 2023
PTR No. 8534345, January 4, 2021, Makati City

October 7, 2021

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CENTRAL AZUCARERA DE TARLAC, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

	June 30	
	2021	2020
ASSETS		
Current Assets		
Cash (Note 5)	**₱107,420,809**	₱261,264,563
Receivables (Note 6)	**1,052,698,158**	881,379,643
Inventories (Note 7)	**321,234,588**	237,075,288
Real estate held for sale and development (Note 8)	**988,494,373**	988,494,374
Other current assets (Note 9)	**770,883,845**	206,642,106
Total Current Assets	**3,240,731,773**	2,574,855,974
Noncurrent Assets		
Financial assets at fair value through other comprehensive income (FVOCI) (Note 11)	**145,800,368**	112,678,500
Property, plant and equipment:		
Land - at revalued amount (Note 13)	**996,790,400**	996,790,400
Property, plant and equipment - at cost (Note 12)	**448,321,729**	501,198,970
Investment property (Note 13)	**437,264,080**	437,264,080
Goodwill - net (Note 10)	**502,418,570**	502,418,570
Deferred income tax assets - net (Note 24)	**1,120,398**	–
Other noncurrent assets (Note 14)	**162,249,526**	233,111,457
Total Noncurrent Assets	**2,693,965,071**	2,783,461,977
TOTAL ASSETS	**₱5,934,696,844**	₱5,358,317,951
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 15)	**₱599,712,049**	₱461,731,811
Short-term notes payable (Note 16)	**1,008,355,213**	1,007,841,467
Current portion of notes payable (Note 16)	**87,406,692**	–
Income tax payable	–	17,043,114
Other current liabilities	**27,695,984**	29,159,869
Total Current Liabilities	**1,723,169,938**	1,515,776,261
Noncurrent Liabilities		
Notes payable - net of current portion (Note 16)	**770,852,352**	–
Deferred income tax liabilities - net (Note 24)	**317,694,327**	375,439,732
Retirement plan obligation (Note 22)	**7,206,059**	22,354,153
Other noncurrent liabilities	**8,939,610**	3,806,232
Total Noncurrent Liabilities	**1,104,692,348**	401,600,117
Total Liabilities	**2,827,862,286**	1,917,376,378
Equity		
Capital stock (Note 26)	**282,545,960**	282,545,960
Retained earnings (Note 26)	**2,213,916,288**	2,633,078,103
Revaluation increment (Note 13)	**938,866,755**	889,431,214
Remeasurement losses on retirement plan (Note 22)	**(60,741,582)**	(68,207,253)
Unrealized cumulative gains on financial assets at FVOCI (Note 11)	**101,325,627**	73,172,039
	3,475,913,048	3,810,020,063
Treasury stock (Note 26)	**(369,078,490)**	(369,078,490)
Total Equity	**3,106,834,558**	3,440,941,573
TOTAL LIABILITIES AND EQUITY	**₱5,934,696,844**	₱5,358,317,951

See accompanying Notes to Consolidated Financial Statements.

CENTRAL AZUCARERA DE TARLAC, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended June 30		
	2021	2020	2019
REVENUES			
Sale of sugar and by-products	**₱890,407,749**	₱955,589,931	₱943,873,439
Milling income	**289,298,312**	352,498,567	372,158,213
Tolling fees	**141,486,811**	173,108,091	252,305,009
Industrial services	**42,359,965**	44,456,920	44,204,438
Real estate sale	**5,061,155**	–	–
	1,368,613,992	1,525,653,509	1,612,541,099
COST OF GOODS SOLD AND SERVICES			
Cost of goods sold and milling and tolling services (Note 17)	**1,156,798,215**	1,217,664,884	1,255,972,987
Cost of industrial services (Note 18)	**23,116,519**	18,309,486	20,631,436
Cost of real estate sale	**1**	–	–
	1,179,914,735	1,235,974,370	1,276,604,423
GROSS INCOME	**188,699,257**	289,679,139	335,936,676
OPERATING EXPENSES (Note 19)	**(109,499,358)**	(141,884,874)	(155,341,884)
OTHER INCOME (EXPENSE)			
Interest income (Notes 5, 6 and 23)	**4,612,476**	24,745,714	29,808,168
Interest expense (Note 16)	**(101,562,473)**	(66,648,750)	(59,454,953)
Gain on fair value change of investment property (Note 13)	–	–	213,702,700
Other income - net (Notes 10, 13 and 21)	**9,976,299**	22,578,458	55,755,595
INCOME (LOSS) BEFORE INCOME TAX	**(7,773,799)**	128,469,687	420,406,302
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 24)			
Current	**2,834,578**	38,099,061	48,364,408
Deferred	**(23,143,842)**	5,272,539	18,125,002
	(20,309,264)	43,371,600	66,489,410
NET INCOME	**₱12,535,465**	₱85,098,087	₱353,916,892
Basic/diluted earnings per share (Note 26)	**₱0.053**	₱0.32	₱1.25

See accompanying Notes to Consolidated Financial Statements.

CENTRAL AZUCARERA DE TARLAC, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended June 30		
	2021	2020	2019
NET INCOME	**₱12,535,465**	₱85,098,087	₱353,916,892
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will not be reclassified to profit or loss - net of income tax effect:			
Revaluation increase on land (Note 13)	**49,435,541**	–	130,368,000
Unrealized gains (losses) on financial assets at FVOCI (Note 11)	**28,153,588**	(5,156,161)	(46,924,968)
Remeasurement gains (losses) on retirement plan (Note 22)	**7,465,671**	(288,595,454)	(257,767,034)
	85,054,800	(293,751,615)	(174,324,002)
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱97,590,265**	(₱208,653,528)	₱179,592,890

See accompanying Notes to Consolidated Financial Statements.

BUREAU OF INTERNAL REVENUE
RECEIVED
OCT 26 2021
EXCISE LT REGULATORY DIVISION

CENTRAL AZUCARERA DE TARLAC, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED JUNE 30, 2021

	Capital Stock (Note 26)	Retained Earnings (Note 26)			Revaluation Increment (Note 13)	Remeasurement Gains (Losses) on Retirement Plan (Note 22)	Unrealized Cumulative Gains on Financial Assets at FVOCI (Note 11)	Treasury Stock (Note 26)	Total Equity
		Unappropriated	Appropriated	Total					
Balances at July 1, 2019	₱282,545,960	(₱105,936,876)	₱2,300,000,000	₱2,194,063,124	₱759,063,214	₱478,155,235	₱125,253,168	(₱7,200)	₱3,839,073,501
Reversal of appropriation (Note 26)	–	2,300,000,000	(2,300,000,000)	–	–	–	–	–	–
Appropriation (Note 26)	–	(2,350,000,000)	2,350,000,000	–	–	–	–	–	–
Total comprehensive income (loss)	–	353,916,892	–	353,916,892	130,368,000	(257,767,034)	(46,924,968)	–	179,592,890
Balances at June 30, 2019	282,545,960	197,980,016	2,350,000,000	2,547,980,016	889,431,214	220,388,201	78,328,200	(7,200)	4,018,666,391
Total comprehensive income (loss)	–	85,098,087	–	85,098,087	–	(288,595,454)	(5,156,161)	–	(208,653,528)
Treasury shares (Note 26)	–	–	–	–	–	–	–	(369,071,290)	(369,071,290)
Reversal of appropriation (Note 26)	–	2,350,000,000	(2,350,000,000)	–	–	–	–	–	–
Appropriation (Note 26)	–	(2,000,000,000)	2,000,000,000	–	–	–	–	–	–
Balances at June 30, 2020	282,545,960	633,078,103	2,000,000,000	2,633,078,103	889,431,214	(68,207,253)	73,172,039	(369,078,490)	3,440,941,573
Total comprehensive income	–	12,535,465	–	12,535,465	49,435,541	7,465,671	28,153,588	–	97,590,265
Reversal of appropriation (Note 26)	–	500,000,000	(500,000,000)	–	–	–	–	–	–
Dividend declaration (Note 26)	–	(431,697,280)	–	(431,697,280)	–	–	–	–	(431,697,280)
Balances at June 30, 2021	₱282,545,960	₱713,916,288	₱1,500,000,000	₱2,213,916,288	₱938,866,755	(₱60,741,582)	₱101,325,627	(₱369,078,490)	₱3,106,834,558

See accompanying Notes to Consolidated Financial Statements.

CENTRAL AZUCARERA DE TARLAC, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended June 30		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**(₱7,773,799)**	₱128,469,687	₱420,406,302
Adjustments for:			
Depreciation and amortization (Notes 12, 17, 18, 19 and 20)	**114,189,007**	138,224,895	134,306,447
Interest expense (Note 16)	**101,562,473**	66,648,750	59,454,953
Net retirement loss (income) (Notes 20, 21 and 22)	**7,582,923**	(11,885,835)	(36,739,383)
Net unrealized foreign exchange losses (gains)	**54,189**	23,430	(615,442)
Loss (gain) on disposal of property, plant and equipment	**23,320**	–	(11,437)
Interest income (Notes 5, 6 and 23)	**(4,612,476)**	(24,745,714)	(29,808,168)
Gains on reversal of provision for credit losses (Notes 3 and 6)	**(9,442)**	(123,654)	(1,844,245)
Gain on fair value change of investment property (Note 13)	–	–	(213,702,700)
Provision for credit losses (Notes 3 and 6)	–	13,110,210	–
Provision for inventory losses (Notes 3 and 7)	–	623,111	209,355
Operating income before working capital changes	**211,016,195**	310,344,880	331,655,682
Decrease (increase) in:			
Receivables	**13,076,395**	12,075,594	(7,960,567)
Inventories	**(84,159,300)**	(68,735,964)	66,561,183
Real estate held for sale and development	**1**	–	(96,039)
Other current assets	**(72,530,515)**	(62,970,250)	42,488,994
Increase (decrease) in:			
Trade and other payables	**109,225,636**	96,843,449	(210,294,459)
Deposits	**1,838,068**	2,287,130	2,744,708
Net cash generated from operations	**178,466,480**	289,844,839	225,099,502
Income tax paid	**(18,588,916)**	(21,380,313)	(44,015,988)
Net cash provided by operating activities	**159,877,564**	268,464,526	181,083,514
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease in other noncurrent assets	**9,771,432**	147,041,457	1,641,240
Interest received	**283,590**	89,024	377,949
Refundable deposit to a related party (Notes 9 and 23)	**(493,000,000)**	–	–
Net changes in accounts with related parties (Note 23)	**(128,063,935)**	(226,754,797)	(144,170,041)
Additions to property, plant and equipment (Note 12)	**(61,335,084)**	(78,830,354)	(129,278,381)
Net cash flows used in investing activities	**(672,343,997)**	(158,454,670)	(271,429,233)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds of long-term notes payable (Notes 16)	**925,000,000**	–	–
Payments of:			
Dividends (Notes 26)	**(407,676,837)**	–	(49,815,765)
Interest	**(86,322,994)**	(63,095,531)	(54,220,896)
Notes payable	**(46,250,000)**	(791,189)	–
Transaction costs (Note 16)	**(23,838,834)**	–	–
Increase (decrease) in other noncurrent liabilities	**(2,234,467)**	(13,446,644)	4,688,429
Net availment of short-term notes payable (Notes 16)	–	15,000,000	47,510,712
Net cash flows from (used in) financing activities	**358,676,868**	(62,333,364)	(51,837,520)
NET INCREASE (DECREASE) IN CASH	**(153,789,565)**	47,676,492	(142,183,239)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**(54,189)**	(23,430)	615,442
CASH AT BEGINNING OF YEAR	**261,264,563**	213,611,501	355,179,298
CASH AT END OF YEAR (Note 5)	**₱107,420,809**	₱261,264,563	₱213,611,501

See accompanying Notes to Consolidated Financial Statements.

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. (CAT; the Parent Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on June 19, 1927. 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, 2021 and 2020, the Parent Company is 84.58% owned by CAT Resource & Asset Holdings, Inc. (CRAHI). The ultimate parent company is First Lucky Holdings Corporation.

LLC was incorporated and registered with the Philippine SEC on May 11, 1977. Currently, the subsidiary maintains and operates Luisita Industrial Park (LIP) and Luisita Business Park (LBP) in Tarlac and provides water distribution and wastewater treatment services to locators in LIP, LBP and residents of Las Haciendas de Luisita (LHDL). In September 2018, the properties management responsibility to Las Haciendas de Luisita (LHDL) has been turned over to Sta. Lucia Realty Corporation except its clubhouse.

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, 2021 were authorized for issue in accordance with a resolution by the Board of Directors (BOD) on October 7, 2021.

2. Basis of Preparation, Statement of Compliance and Basis of Consolidation and Summary of Significant Accounting Policies

Basis of Preparation
The accompanying 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" accounts 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).

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; and
- the ability to use its power over the investee to affect its returns

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:

- contractual arrangement between the Group and other vote holders;
- 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.

Its subsidiary is consolidated from the date of acquisition, being the date on which control is transferred to the Group and continue to be consolidated until the date that such control ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included or excluded in the consolidated financial statements from the date the Group gains control or until the date the Group ceases to control the subsidiary.

The financial statements of a subsidiary are prepared for the same reporting year as the Group. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

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 assets (including goodwill, if any) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognized in other comprehensive
- income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new standards and amendments for the year ended June 30, 2021:

Amendments to PFRS 3, *Business Combinations, Definition of a Business*
The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements since the Group did not enter into any business combination during the year but may impact future periods.

Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*
The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the consolidated financial statements since it does not have similar transactions.

Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*
The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements.

A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no significant impact on the consolidated financial statements.

Conceptual Framework for Financial Reporting issued on March 29, 2018
The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

This revision had no significant impact on the consolidated financial statements of the Group.

Amendments to PFRS 16, *COVID-19-related Rent Concessions* and *COVID-19-related Rent Concessions Beyond June 30, 2021*

The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021 (as extended by one year to June 30, 2022 by "Amendments to PFRS 16, *COVID-19-related Rent Concessions Beyond June 30, 2021"*); and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The original amendments are effective for annual reporting periods beginning on or after June 1, 2020 with early adoption being permitted.

The amendments extending the availability of the practical expedient by one year are effective for annual reporting periods beginning on or after July 1, 2021. These amendments had no impact on the consolidated financial statements as there is no similar transaction entered into by the Group.

Summary of Significant Accounting Policies

<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 the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after the reporting date; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after the reporting date; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting date.

All other liabilities are classified as noncurrent.

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

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 PFRS 9 is measured at fair value with the changes in fair value recognized in the consolidated statement of income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

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.

Fair Value Measurement
The Group measures financial instruments such as financial assets at FVOCI 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 27. 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.

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

Cash

Cash includes cash on hand and in banks.

Financial Assets

Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as financial assets 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 its transaction price.

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

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

Financial assets at amortized cost (debt 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.

The Group's financial assets at amortized cost as at June 30, 2021 and 2020 consist of "Cash", "Receivables" and long-term receivables lodged under "Other noncurrent assets" account in the consolidated balance sheet. The Group assessed that the contractual cash flows of its debt financial assets are SPPI and are expected to be held to collect all contractual cash flows until their maturity. As a result, the Group concluded these debt financial assets to be measured at amortized cost.

Financial assets at FVOCI
A financial asset is measured at FVOCI if both of the following conditions are met:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest income and foreign exchange gains and losses are recognized in profit and loss until the financial asset is derecognized. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income (OCI) is reclassified from equity to the consolidated statement of income. This reflects the gain or loss that would have been recognized in the consolidated statement of income upon derecognition if the financial asset had been measured at amortized cost. Impairment is measured based on the Expected Credit Loss (ECL) model.

The Group may also make an irrevocable election to measure at FVOCI on initial recognition investments in equity instruments that are neither held for trading nor contingent consideration recognized in a business combination in accordance with PFRS 3. Amounts recognized in OCI are not subsequently transferred to the consolidated statement of income. However, the Group may transfer the cumulative gain or loss within equity. Dividends on such investments are recognized in the consolidated statement of income, unless the dividend clearly represents a recovery of part of the cost of the investment.

Dividends are recognized in the consolidated statement of income only when:
- the Group's right to receive payment of the dividend is established
- it is probable that the economic benefits associated with the dividend will flow to the Group; and
- the amount of the dividend can be measured reliably.

The Group's financial assets at FVOCI as at June 30, 2021 and 2020 consist of listed shares of stock and proprietary shares.

Financial assets at FVTPL
Financial assets are measured at FVTPL unless these are measured at amortized cost or at FVOCI. Included in this classification are equity investments held for trading and debt instruments with contractual terms that do not represent solely payments of principal and interest. Financial assets held at FVTPL are initially recognized at fair value, with transaction costs recognized in the consolidated statement of income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the consolidated statement of income.

Additionally, even if the asset meets the amortized cost or the FVOCI criteria, the Group may choose at initial recognition to designate the financial asset at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets on a different basis.

Trading gains or losses are calculated based on the results arising from trading activities of the Group, including all gains and losses from changes in fair value for financial assets and financial liabilities at FVTPL, and the gains or losses from disposal of financial investments.

The Group does not have any financial asset at FVTPL as of June 30, 2021 and 2020.

Impairment of Financial Assets
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 reporting 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 effective interest rate 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.

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.

Derecognition
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
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 all classified and measured at amortized cost.

The Group's financial liabilities include "Trade and other payables", "Short-term notes payable" and "Notes payable".

Derecognition
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
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. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

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, if any.

Advances to Supplier for Goods and Services
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 the consolidated statement of income upon actual receipt of goods or services, which is normally within twelve months or within the operating cycle.

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

Property, Plant and Equipment
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 and 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 of 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	2-40 years
Agricultural machinery and equipment	5-20 years
Buildings and improvements	2-50 years
Land improvements	5-15 years
Transportation equipment	2-25 years
Furniture, fixtures and equipment	2-10 years
Communication and utility systems	2-10 years
Roads and bridges	5-30 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.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a Lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use (ROU) assets representing the right to use the underlying assets.

Refundable Deposits

Refundable deposits pertain to the amount given to another party in contemplation of a future transaction. This amount is carried at cost.

Impairment of Nonfinancial Assets

Property, Plant and Equipment, Refundable Deposits and Advances

The Group assesses at each reporting date whether there is an indication that these nonfinancial 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.

For assets excluding goodwill, 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 or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the CGUs, to which the goodwill relates. Where the recoverable amount of the CGUs is less than their carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

<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.

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 capital stocks 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 shares of stocks.

<u>Revenue Recognition</u>
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.

Sale of Sugar
Sale of sugar is recognized at a point in time 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.

Milling Income
Revenue from milling services is recognized at a point in time upon conversion of the planters' canes into raw sugar. This would generally coincide at the time of endorsement of quedans to the planters for their share.

Sale of By-Products
Sale of by-products, which includes molasses, alcohol, carbon dioxide and yeasts, is recognized at a point in time upon shipment or delivery and acceptance by the customers.

Tolling Fee
Revenue is recognized over time based on output method as the services are rendered.

Industrial Services
Revenue from industrial services, which include water and wastewater treatment services and locator fees are recognized over time based on output method as the services are rendered.

Sale of Real Estate
The Group derives its revenue from the sale of real estate. Revenue from the sale of real estate projects under pre-completion stage, if any, are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Group uses output method. The Group recognizes revenue on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract. Progress is measured using survey of performance completed to date/ milestones reached/ time elapsed. This is prepared based on the project accomplishment report prepared by the management's project specialists as approved by the project manager which integrates the surveys of performance of the construction activities to date.

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

<u>Expenses</u>
Cost of Goods Sold and Milling 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 milling and 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
The Group recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as cost of land, expenditures for development and improvements of the property, if any. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as cost of sales while the portion allocable to the unsold area being recognized as part of real estate.

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 (RCIT) 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.

Retirement Cost
The Group has a funded, noncontributory defined benefit retirement plan, covering substantially all of its permanent employees. 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 reporting 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 4 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 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.

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

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.

New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to June 30, 2021
Pronouncements issued but not yet effective are listed below. The Group does not expect that the future adoption of the said pronouncements will have a significant impact on the consolidated financial statements.

Effective Beginning on or After July 1, 2022
- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs* 2018-2020 Cycle
  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a First-time Adopter*
  - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for Derecognition of Financial Liabilities*
  - Amendments to PAS 41, *Agriculture, Taxation in Fair Value Measurements*

Effective Beginning on or After July 1, 2023
- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- PFRS 17, *Insurance Contracts*
- Amendments to PAS 1 and PFRS Practice Statement 2*, Disclosure Initiative - Accounting Policies*
- Amendments to PAS 8*, Definition of Accounting Estimates*

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

3. **Summary of Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the accompanying consolidated financial statements in conformity under PFRSs requires 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:

Revenue Recognition on Sale of Goods and Services

Revenue recognition involves the application of significant judgment and estimation in the: (a) identification of the contract for sale of goods that would meet the requirements of PFRS 15; (b) assessment of performance obligation and the probability that the entity will collect the consideration from the buyer; (c) determining method to estimate variable consideration and assessing the constraint; and (d) recognition of revenue as the Group satisfies the performance obligation.

a. *Existence of a Contract*

   The Group enters into a contract with customer through an approved purchase order which constitutes a valid contract as specific details such as the quantity, price, contract terms and their respective obligations are clearly identified. In addition, part of the assessment process of the Group before revenue recognition is to assess the probability that the Group will collect the consideration to which it will be entitled in exchange for the goods sold that will be transferred to the customer.

b. *Identifying Performance Obligation*

   The Group identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the Group's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract. Based on management's assessment, other than the sale of goods and services, no other performance obligations were identified except in the case of milling income.

c. *Recognition of Revenue as the Group Satisfies the Performance Obligation*

   The Group recognizes its revenue from sale of sugar and by-products at a point in time, when the goods are delivered and the quedans are endorsed.

d. *Recognition of Milling Income under Output Sharing Agreement (OSA) and Cane Purchase Agreement (CPA)*

   The Group applies both OSA and CPA in relation to its milling operation. Under the OSA, milling income is recognized based on the fair value of the mill share at average raw sugar selling price in the week with sugar production after considering in-purchase rate, which represents CPA. Under the CPA, the Group purchases raw sugar from the traders and/or planters. The in-purchase rate is derived by determining the total raw sugar purchases and the total planters' share. Raw production costs are allocated systematically based on the OSA and CPA rates.

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

- Real estate held for sale include land developed into a first-class residential subdivision and an industrial community. Real estate held for development pertain to land that are still undeveloped.
- Property, plant and equipment is held for use in the supply of goods or services or for administrative purposes.
- 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.

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 ECL
The Group uses ECL in calculating its impairment. In the case of 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 the customers' 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 nonmoving 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.

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 and gross domestic product 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.

As at June 30, 2021 and 2020, the allowance for credit loss on receivables amounted to ₱22.0 million. The carrying amounts of receivables and long-term receivables as at June 30, 2021 and 2020 amounted to ₱1.2 billion and ₱0.9 billion, respectively (see Notes 6 and 14).

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

Provision for inventory obsolescence amounted to nil, ₱0.6 million and ₱0.2 million in 2021, 2020 and 2019, respectively (see Notes 7 and 17). No reversal of inventory obsolescence was made in 2021, 2020 and 2019. The carrying amounts of inventories as at June 30, 2021 and 2020 amounted to ₱321.2 million and ₱237.1 million, respectively (see Note 7). The allowance for inventory obsolescence as at June 30, 2021 and 2020 amounted to ₱5.8 million.

NRV of Real Estate held for Sale and Development
The Group provides allowance for decline in value of real estate 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 value in 2021 and 2020. The carrying amounts of real estate as at June 30, 2021 and 2020 amounted to ₱988.5 million (see Note 8).

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 that are 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 the revalued amount and fair value as at June 30, 2021 and 2020.

The significant methods and assumptions used by the appraiser in estimating fair values of land are discussed in Note 27. The revalued amount of land under property, plant and equipment as at June 30, 2021 and 2020 amounted to ₱996.8 million (see Note 13). The fair value of land under investment property amounted to ₱437.3 million as at June 30, 2021 and 2020 (see Note 13).

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

The carrying values of property, plant and equipment carried at cost as at June 30, 2021 and 2020 amounted to ₱448.3 million and ₱501.2 million, respectively (see Note 12).

Impairment of Nonfinancial Asset
The Group assesses whether there are any indicators of impairment for property plant and equipment, refundable deposits 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 2021, 2020 and 2019. The fair values of land under property plant and equipment as at June 30, 2021 and 2020 amounted to ₱996.8 million (see Note 13). The carrying amounts of property, plant and equipment carried at cost as at June 30, 2021 and 2020 amounted to ₱448.3 million and ₱501.2 million, respectively (see Note 12). The carrying amount of refundable deposits as at June 30, 2021 is ₱493.0 million. The carrying amounts of advances as at June 30, 2021 and 2020 amounted to ₱240.7 million and ₱320.9 million, respectively (see Notes 9 and 14).

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 at June 30, 2021 and 2020 amounted to ₱502.4 million. No impairment was recognized in 2021, 2020 and 2019 (see Note 10).

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 as at June 30, 2021 and 2020 amounted to ₱31.6 million and ₱33.9 million, respectively (see Note 24). Unrecognized deferred income tax assets arising from temporary differences, NOLCO and MCIT are disclosed in Note 24.

Retirement Plan
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 22.

Retirement loss recognized in 2021 amounted to ₱7.6 million while retirement income in 2020 amounted to ₱11.9 million. The carrying amounts of the Group's retirement plan obligation amounted to ₱7.2 million and ₱22.4 million as at June 30, 2021 and 2020, respectively (see Note 22).

4. 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.

2021

	Sugar and by-products	**Real Estate and Industrial Services**	**Eliminations**	**Total**
Revenues	**₱1,321,192,872**	**₱47,421,120**	**₱–**	**₱1,368,613,992**
Cost of goods sold and services	**1,156,798,215**	**23,116,520**	**–**	**1,179,914,735**
Gross income	**164,394,657**	**24,304,600**	**–**	**188,699,257**
Interest income	**4,402,038**	**210,438**	**–**	**4,612,476**
Operating expenses	**(93,118,030)**	**(16,381,328)**	**–**	**(109,499,358)**
Interest expense	**(101,562,473)**	**–**	**–**	**(101,562,473)**
Other income - net	**8,443,482**	**1,532,817**	**–**	**9,976,299**
Segment income (loss) before income tax	**(₱17,440,326)**	**₱9,666,527**	**₱–**	**(₱7,773,799)**
Segment assets	**₱6,108,939,786**	**₱844,657,419**	**(₱1,018,900,361)**	**₱5,934,696,844**
Segment liabilities	**₱2,717,677,975**	**₱1,694,468,308**	**(₱1,584,283,997)**	**₱2,827,862,286**

2020

	Sugar and by-products	Real Estate and Industrial Services	Eliminations	Total
Revenues	₱1,481,196,589	₱44,456,920	₱–	₱1,525,653,509
Cost of goods sold and services	1,217,664,884	18,309,486	–	1,235,974,370
Gross income	263,531,705	26,147,434	–	289,679,139
Interest income	24,343,396	402,318	–	24,745,714
Operating expenses	(121,483,048)	(20,401,826)	–	(141,884,874)
Interest expense	(65,906,910)	(741,840)	–	(66,648,750)
Other income - net	20,810,979	1,767,479	–	22,578,458
Segment income before income tax	₱121,296,122	₱7,173,565	₱–	₱128,469,687
Segment assets	₱5,542,639,995	₱837,498,719	(₱1,021,820,763)	₱5,358,317,951
Segment liabilities	₱1,794,135,888	₱1,697,247,218	(₱1,574,006,728)	₱1,917,376,378

2019

	Sugar and by-products	Industrial Services	Eliminations	Total
Revenues	₱1,568,336,661	₱44,204,438	₱–	₱1,612,541,099
Cost of goods sold and services	1,255,973,000	20,631,436	–	1,276,604,436
Gross income	312,363,674	23,573,002	–	335,936,676
Gain on fair value change of investment property	213,702,700	–	–	213,702,700
Interest income	29,715,504	92,664	–	29,808,168
Operating expenses	(126,995,584)	(28,346,300)	–	(155,341,884)
Interest expense	(58,721,285)	(733,668)	–	(59,454,953)
Other income (expense) - net	56,503,753	(748,158)	–	55,755,595
Segment income (loss) before income tax	₱426,568,762	(₱6,162,460)	₱–	₱420,406,302
Segment assets	₱6,053,494,476	₱818,770,427	(₱1,017,820,026)	₱5,854,444,877
Segment liabilities	₱1,720,736,394	₱1,685,048,084	(₱1,570,005,992)	₱1,835,778,486

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

5. Cash

	2021	2020
Cash in banks	**₱105,839,593**	₱259,537,980
Cash on hand	**1,581,216**	1,726,583
	₱107,420,809	₱261,264,563

Cash in banks earn interest at the respective bank deposit rates. Interest rates range from 0.05% to 2.10% per annum for 2019 to 2021.

Interest income earned from cash in banks amounted to ₱0.3 million, ₱0.4 million and ₱0.3 million in 2021, 2020 and 2019, respectively.

6. Receivables

	2021	2020
Trade	**₱55,225,111**	₱77,479,451
Nontrade:		
Due from related parties (see Note 23)	**891,651,617**	763,587,681
Current portion of long-term receivables (see Note 14)	**56,122,219**	–
Advances to:		
Tarlac Development Corporation (TDC)	**24,951,281**	24,951,281
Luisita Golf and Country Club, Inc. (LGCCI)	**10,745,294**	613,805
Planters' receivable	**15,765,741**	10,747,500
Notes receivable	**4,039,751**	2,622,231
Others	**16,203,968**	23,393,960
	1,074,704,982	903,395,909
Less allowance for credit losses	**22,006,824**	22,016,266
	₱1,052,698,158	₱881,379,643

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. Interest income earned amounted to ₱1.3 million, ₱1.2 million and ₱0.1 million in 2021, 2020 and 2019, respectively.

Certain receivables from related parties are subject to interest at 4% to 10% per annum in 2021, 2020 and 2019 (see Note 23). Interest income earned from receivables from related parties amounted to ₱2.9 million, ₱23.1 million and ₱29.4 million in 2021, 2020 and 2019, respectively.

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

Movements in the allowance for credit losses are summarized below:

2021

	Trade	**Nontrade**	**Total**
Balances at beginning of year	**₱2,962,266**	**₱19,054,000**	**₱22,016,266**
Reversals	**(9,442)**	**–**	**(9,442)**
Balances at end of year	**₱2,952,824**	**₱19,054,000**	**₱22,006,824**

2020

	Trade	Nontrade	Total
Balances at beginning of year	₱3,052,739	₱5,976,971	₱9,029,710
Provisions	–	13,110,210	13,110,210
Reversals	(90,473)	(33,181)	(123,654)
Balances at end of year	₱2,962,266	₱19,054,000	₱22,016,266

7. **Inventories**

	2021	2020
At cost:		
Alcohol	**₱209,696,911**	₱112,811,415
Molasses	**68,669,347**	49,814,556
Carbon dioxide	**–**	160,613
At NRV:		
Spare parts and supplies	**42,115,480**	51,372,908
Raw sugar	**752,850**	22,915,796
	₱321,234,588	₱237,075,288

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

	2021	2020
Balances at beginning of year	**₱5,835,166**	₱5,212,055
Provision (see Note 17)	**–**	623,111
Balances at end of year	**₱5,835,166**	₱5,835,166

8. Real Estate Held for Sale and Development

	2021	2020
Land held for development	**₱981,516,357**	₱981,516,357
Land available for sale	**6,978,016**	6,978,017
	₱988,494,373	₱988,494,374

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

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

9. Other Current Assets

	2021	2020
Refundable deposits (see Note 23)	**₱493,000,000**	₱–
Advances to suppliers for goods and services and land maintenance (see Note 14)	**240,655,045**	181,775,673
Prepaid tax	**32,967,792**	21,882,513
Prepaid insurance	**815,217**	888,682
Others	**3,445,791**	2,095,238
	₱770,883,845	₱206,642,106

10. **Goodwill** - net

The Group performed its impairment review of goodwill as at June 30, 2021 and 2020. Based on the impairment review, the recoverable amount exceeded the carrying value of the CGU, including goodwill, thus, no impairment loss was recognized. The carrying amount of goodwill as of June 30, 2021 and 2020 amounted to ₱502.4 million, which is net of the allowance for impairment of ₱199.7 million.

CGU pertains to the net asset of 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. Cash flows beyond the five-year period are extrapolated using a 3.5% and 2.4% growth rate as at June 30, 2021 and 2020, respectively. Discount rate applied to the cash flow projections in determining value in use is 7.79% and 8.01% as at June 30, 2021 and 2020, respectively.

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

a) Discount rate - Discount rate was 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 rate, consideration has been given to various market information, including, but not limited to, government bond yield, bank lending rates and market risk premium and country risk premium.

b) Growth rate - 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. However, management 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 - The estimated selling price is based on current market price 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

The sensitivity analysis below shows by how much each significant assumption should increase (decrease) before any impairment of goodwill is recognized, assuming all other assumptions were held constant:

Significant Assumptions	**2021**	2020
Discount rates	**9.82%**	3.97%
Selling price	**(25.97%)**	(12.85%)

No reasonably possible change in the growth rate would cause the carrying amount of the CGU to exceed its recoverable amount.

11. Financial assets at FVOCI

	2021	2020
Proprietary shares	**₱145,250,000**	₱112,140,000
Investment in shares of stock:		
Listed	**388,368**	376,500
Unlisted	**162,000**	162,000
	₱145,800,368	₱112,678,500

The movements in financial assets at FVOCI are as follows:

	2021	2020
Balances at beginning of year	**₱112,678,500**	₱118,744,572
Changes in the fair value	**33,121,868**	(6,066,072)
Balances at end of year	**₱145,800,368**	₱112,678,500

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 when the need arises.

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

	2021	2020
Balances at beginning of year	**₱73,172,039**	₱78,328,200
Unrealized gain (loss) on financial assets at FVOCI	**28,153,588**	(5,156,161)
Balances at end of year	**₱101,325,627**	₱73,172,039

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

2021

	Machinery and equipment	**Agricultural machinery and equipment**	**Buildings and improvements**	**Land Improvements**	**Transportation equipment**	**Furniture, fixtures and equipment**	**Communication and utility systems**	**Roads and bridges**	**Construction in progress**	**Total**
Cost:										
Balances at beginning of year	**₱798,756,534**	**₱174,134,562**	**₱140,121,434**	**₱32,651,520**	**₱50,989,942**	**₱24,081,546**	**₱2,756,628**	**₱8,245,127**	**₱25,746,449**	**₱1,257,483,742**
Additions	**3,205,868**	**24,247,940**	**758,106**	**–**	**319,687**	**2,478,390**	**–**	**–**	**30,325,093**	**61,335,084**
Retirement and write-off	**(50,340,336)**	**–**	**(2,230,112)**	**(1,001,900)**	**(1,246,966)**	**(90,908)**	**(8,064)**	**–**	**–**	**(54,918,286)**
Reclassifications	**25,099,760**	**186,601**	**16,888,241**	**1,484,390**	**4,149,322**	**265,859**	**2,910,714**	**–**	**(50,984,887)**	**–**
Balances at end of year	**776,721,826**	**198,569,103**	**155,537,669**	**33,134,010**	**54,211,985**	**26,734,887**	**5,659,278**	**8,245,127**	**5,086,655**	**1,263,900,540**
Accumulated depreciation and amortization:										
Balances at beginning of year	**539,172,034**	**67,632,340**	**78,485,738**	**15,596,290**	**31,384,482**	**13,490,164**	**2,278,611**	**8,245,111**	**–**	**756,284,770**
Depreciation and amortization (see Notes 17, 18, 19 and 20)	**76,740,059**	**14,945,968**	**9,418,279**	**1,935,553**	**7,593,481**	**3,231,214**	**324,453**	**–**	**–**	**114,189,007**
Retirement and write-off	**(50,340,336)**	**–**	**(2,230,112)**	**(1,001,900)**	**(1,223,648)**	**(90,906)**	**(8,064)**	**–**	**–**	**(54,894,966)**
Balances at end of year	**565,571,757**	**82,578,308**	**85,673,905**	**16,529,943**	**37,754,315**	**16,630,472**	**2,595,000**	**8,245,111**	**–**	**815,578,811**
Net book values	**₱211,150,069**	**₱115,990,795**	**₱69,863,764**	**₱16,604,067**	**₱16,457,670**	**₱10,104,415**	**₱3,064,278**	**₱16**	**₱5,086,655**	**₱448,321,729**

2020

	Machinery and equipment	Agricultural machinery and equipment	Buildings and improvements	Land improvements	Transportation equipment	Furniture, fixtures and equipment	Communication and utility systems	Roads and bridges	Construction in progress	Total
Cost:										
Balances at beginning of year	₱1,722,436,866	₱160,443,491	₱157,891,300	₱61,012,790	₱48,174,881	₱51,124,712	₱8,517,454	₱12,350,552	₱30,542,543	₱2,252,494,589
Additions	8,420,973	13,691,071	235,652	3,647,987	1,650,456	2,707,883	140,779	–	48,335,553	78,830,354
Retirement and write-off	(961,383,126)	–	(37,723,089)	(32,009,257)	(42,684)	(32,676,017)	(5,901,605)	(4,105,425)	–	(1,073,841,203)
Reclassifications	29,281,819	–	19,717,571	–	1,207,289	2,924,968	–	–	(53,131,647)	–
Balances at end of year	798,756,532	174,134,562	140,121,434	32,651,520	50,989,942	24,081,546	2,756,628	8,245,127	25,746,449	1,257,483,740
Accumulated depreciation and amortization:										
Balances at beginning of year	1,406,553,337	50,283,951	108,675,832	43,286,850	20,324,558	42,603,005	7,823,009	12,350,536	–	1,691,901,078
Depreciation and amortization (see Notes 17, 18, 19 and 20)	94,001,823	17,348,389	7,532,995	4,318,697	11,102,608	3,563,176	357,207	–	–	138,224,895
Retirement and write-off	(961,383,126)	–	(37,723,089)	(32,009,257)	(42,684)	(32,676,017)	(5,901,605)	(4,105,425)	–	(1,073,841,203)
Balances at end of year	539,172,034	67,632,340	78,485,738	15,596,290	31,384,482	13,490,164	2,278,611	8,245,111	–	756,284,770
Net book values	₱259,584,498	₱106,502,222	₱61,635,696	₱17,055,230	₱19,605,460	₱10,591,382	₱478,017	₱16	₱25,746,449	₱501,198,970

In 2021 and 2020, the Group retired certain assets that are deemed to be no longer useable based on the Group's current business model. Accordingly, costs and accumulated depreciation and amortization are derecognized, totaling to ₱53.7 million and ₱1.1 billion in 2021 and 2020, respectively.

13. Land

Fair Value of Land

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, 2021 and 2020. 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 that are actively traded 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 properties are compared to the property being appraised based major categories of comparison. Adjustments are made to account for identified differences against the comparable properties, resulting in adjusted sales values for each of the comparable.

Based on the appraisal report as at June 30, 2021, the fair value of the Group's land recognized under property, plant and equipment and investment property did not change for the year ended June 30, 2021 and 2020 as there were no significant activities within the vicinity where these parcels of land are situated that caused land values to significantly change.

Property, Plant and Equipment

Land at revalued amount recognized under property, plant and equipment as at June 30, 2021 and 2020 amounted to ₱996.8 million.

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

	2021	2020
Balances at beginning of year	**₱889,431,214**	₱889,431,214
Change in tax rate to due to CREATE	**49,435,541**	–
Balances at end of year	**₱938,866,755**	₱889,431,214

Attributable to:

	2021	2020
Property, plant and equipment	**₱741,533,118**	₱692,097,577
Property, plant and equipment reclassified to investment property	**197,333,637**	197,333,637
	₱938,866,755	₱889,431,214

The value of land recognized under property, plant and equipment if carried at cost as at June 30, 2021 and 2020 is ₱8.1 million.

Investment Property

The fair value recognized under investment property as at June 30, 2021 and 2020 amounted to ₱437.3 million.

The value of land recognized under investment properties if carried at cost as at June 30, 2021 and 2020 is ₱1.8 million. The Group has no restrictions on the realizability of its investment property and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements. The Group has neither earned rental income nor incurred direct operating expenses from its investment property.

14. Other Noncurrent Assets

	2021	2020
Long-term receivables	**₱165,198,472**	₱–
Recoverable and other deposits	**53,173,273**	94,015,882
Advances for land maintenance	–	164,419,925
	218,371,745	258,435,807
Less current portion (see Notes 6 and 9)	**56,122,219**	25,324,350
	₱162,249,526	₱233,111,457

During the year, the Group and one of its suppliers agreed that the Group will be reimbursed for the amount advanced to the supplier for costs to be incurred for future land preparation, planting and harvesting. The total amount of reimbursement of ₱168.4 million will be made by the supplier in three equal amounts over a period of 3 years. Current portion that is expected to be collected within the next 12 months is included under the "Receivables" account (see Note 6).

Advances for land maintenance pertains to costs advanced for future preparation, planting and harvesting. Advances for land maintenance that are expected to be liquidated within the next 12 months are recognized as part of "Other current assets" account.

15. Trade and Other Payables

	2021	2020
Trade payables	**₱196,262,668**	₱252,052,935
Accruals:		
Spare parts, supplies and inventory cost	**285,638,836**	131,207,031
Professional fees	**7,280,167**	5,283,255
Salaries, wages and other benefits	**6,223,716**	14,659,479
Interest and penalties	**11,135,300**	3,707,097
Taxes	**3,361,194**	4,044,958
Others	**47,004,884**	26,745,996
Dividends payable (see Note 26)	**25,061,655**	1,041,212
Advances from related parties (see Note 23)	**11,832,195**	11,632,881
Customers' advances	**721,296**	618,208
Other payables	**5,190,138**	10,738,759
	₱599,712,049	₱461,731,811

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

16. **Notes Payable**

Short-term Bank Notes

	2021	2020
Working capital facilities	**₱990,000,000**	₱990,000,000
Promissory notes	**18,355,213**	17,841,467
	₱1,008,355,213	₱1,007,841,467

Working Capital Facilities Agreement (WCFA)
The Group has an existing WCFA with BDO. Under the WCFA, the Group availed short-term loan totaling up to ₱990.0 million, as at June 30, 2021 and 2020, at 6.0% to 6.50% and at 6.50% interest rate per annum, respectively.

Promissory Notes
The promissory notes are for a period of one year or shorter with an interest rate of 4% per annum and is not collateralized. This is to be paid at maturity date including the principal amount.

Total interest expense incurred for all short-term notes amounted to ₱63.6 million, ₱63.9 million and ₱55.9 million in 2021, 2020 and 2019, respectively.

Long-term Loan
On November 4, 2020, the Group obtained a ₱925.0 million loan from BDO Unibank, Inc. which will mature on November 9, 2027. The loan will be repaid in quarterly installments. The details as of June 30, 2021 are as follows:

Bank Loan A - ₱509,724,245 loan, in which the interest rate will be the higher of (i) the seven (7) year benchmark plus margin of 250 bps, divided by 0.99 for the first 2 years and divided by 0.95 for the final 5 years; and (ii) 5% divided 0.99 for the first 2 years and divided by 0.95 for the final 5 years	₱472,990,004
Bank Loan B - ₱415,275,755 loan, in which the interest rate will be the higher of (i) the seven (7) year benchmark plus margin of 250 bps, divided by 0.99 for the first 2 years and divided by 0.95 for the final 5 years; and (ii) 5% divided 0.99 for the first 2 years and divided by 0.95 for the final 5 years	385,269,040
	858,259,044
Less current portion - net of transaction costs of ₱5,093,308	87,406,692
Noncurrent portion - net of transaction costs of ₱15,397,648	₱770,852,352

The facility contains a loan covenant requiring the Group to meet certain financial ratio starting November 15, 2021 (see Note 28). The loan is secured by a collateral which consist of certain parcels of land and financial assets at FVOCI.

The Group recognized interest expense amounting to ₱34.0 million for the year ended June 30, 2021.

17. Cost of Goods Sold and Milling and Tolling Services

	2021	2020	2019
Inventory costs, spare parts, and supplies	**₱714,663,163**	₱764,358,587	₱782,569,261
Depreciation and amortization (see Notes 12 and 20)	**102,969,733**	124,279,144	123,302,042
Salaries, wages, bonuses and other benefits (see Note 20)	**95,865,325**	89,848,392	86,378,499
Power and steam	**60,478,601**	66,649,992	53,924,933
Repairs and maintenance	**56,692,762**	59,069,592	91,388,225
Security and outside services	**46,812,120**	45,681,913	44,287,583
Freight and transportation	**44,532,897**	38,604,243	41,744,575
Taxes and licenses	**12,075,890**	5,721,116	5,977,737
Insurance	**5,200,789**	5,449,773	8,139,305
Others (see Note 7)	**17,506,935**	18,002,132	18,260,827
	₱1,156,798,215	₱1,217,664,884	₱1,255,972,987

18. Cost of Industrial Services

	2021	2020	2019
Power and steam	**₱5,344,547**	₱5,142,087	₱5,721,423
Security and outside services	**4,123,903**	3,673,323	3,832,463
Depreciation and amortization (see Notes 12 and 20)	**2,214,610**	2,172,388	1,983,254
Materials	**2,196,923**	1,200,478	1,172,400
Repairs and maintenance	**1,095,137**	891,390	1,299,788
Taxes and licenses	**397,773**	309,499	333,046
Salaries, wages, bonuses and other benefits (see Note 20)	**314,911**	330,005	300,761
Termination expense	**178,571**	211,875	956,744
Others	**7,250,144**	4,378,441	5,031,557
	₱23,116,519	₱18,309,486	₱20,631,436

19. Operating Expenses

	2021	2020	2019
Salaries, wages, bonuses and other benefits (see Note 20)	**₱32,708,901**	₱39,103,612	₱41,719,454
Professional fees	**26,251,409**	29,846,285	28,938,963
Depreciation and amortization (see Notes 12 and 20)	**9,004,664**	11,773,363	9,021,151
Taxes and licenses	**8,677,823**	15,769,373	28,452,033

(Forward)

	2021	2020	2019
Security and other outside services	**₱6,954,248**	₱7,206,805	₱8,237,694
Freight and transportation	**6,947,375**	7,210,662	10,075,856
Rentals	**4,881,628**	3,135,267	3,559,374
Repairs and maintenance	**3,568,900**	3,467,043	6,017,013
Dues and advertisements	**1,475,179**	1,710,556	2,618,459
Light and water	**1,372,160**	1,577,168	1,192,011
Entertainment, amusement and recreation	**949,407**	10,489,586	11,074,525
Postage, telephone and telegram	**293,664**	2,114,964	417,310
Management fees and bonuses	**210,000**	220,000	220,500
Bank charges	**2,025**	251,029	61,226
Others	**6,201,975**	8,009,161	3,736,315
	₱109,499,358	₱141,884,874	₱155,341,884

20. Nature of Expenses

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

	2021	2020	2019
Cost of goods sold and milling and tolling services (see Note 17)	**₱102,969,733**	₱124,279,144	₱123,302,042
Cost of industrial services (see Note 18)	**2,214,610**	2,172,388	1,983,254
Operating expenses (see Note 19)	**9,004,664**	11,773,363	9,021,151
	₱114,189,007	₱138,224,895	₱134,306,447

Personnel costs included in the consolidated statements of income for the years ended June 30 are as follows:

	2021	2020	2019
Cost of goods sold and milling and tolling services (see Note 17)			
Salaries, wages, bonuses and other benefits	**₱95,865,325**	₱89,848,392	₱86,378,499
Cost of industrial services (see Note 18)			
Salaries, wages, bonuses and other benefits	**314,911**	330,005	300,761
Operating expenses (see Note 19)			
Salaries, wages, bonuses and other benefits	**32,708,901**	39,103,612	41,719,454
Other income - net (see Note 21)			
Net retirement loss (income)	**7,582,923**	(11,885,835)	(36,739,383)
	₱136,472,060	₱117,396,174	₱91,659,331

21. **Other Income -** net

	2021	2020	2019
Insurance fee	**₱9,106,898**	₱4,766,990	₱7,344,405
Sale of scraps	**4,936,239**	–	3,263,454
Storage fee	**3,469,385**	3,324,249	4,870,589
Net retirement loss income (loss) (see Notes 20 and 22)	**(7,582,923)**	11,885,835	36,739,383
Others	**46,700**	2,601,384	3,537,764
	₱9,976,299	₱22,578,458	₱55,755,595

22. **Retirement Plan**

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, 2021.

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 plan's objectives, benefit obligations and risk capacity. The defined benefit retirement plan meets the minimum retirement benefit specified under Republic Act (RA) No. 7641, *The Retirement Pay Law*.

2021

	Balances at Beginning of Year	Net Benefit Cost in Profit and Loss: Current Service Cost	Net Benefit Cost in Profit and Loss: Net Interest	Net Benefit Cost in Profit and Loss: Subtotal	Benefits paid	Remeasurements in Other Comprehensive Income: Gain on Plan Assets	Remeasurements in Other Comprehensive Income: Actuarial Changes Arising From Changes in Financial Assumptions	Remeasurements in Other Comprehensive Income: Actuarial Changes Arising From Changes in Experience Adjustments	Remeasurements in Other Comprehensive Income: Subtotal	Balances at End of Year
Fair Value of Plan Assets	**₱29,829,535**	**₱–**	**₱972,557**	**₱972,557**	**₱–**	**₱4,427,621**	**₱–**	**₱–**	**₱4,427,621**	**₱35,229,713**
Present Value of Defined Benefit Obligation	**(52,183,688)**	**(6,804,999)**	**(1,750,481)**	**(8,555,480)**	**6,569,253**	**–**	**4,488,171**	**7,245,972**	**11,734,143**	**(42,435,772)**
Retirement Plan Asset (Obligation)	**(₱22,354,153)**	**(₱6,804,999)**	**(₱777,924)**	**(₱7,582,923)**	**₱6,569,253**	**₱4,427,621**	**₱4,488,171**	**₱7,245,972**	**₱16,161,764**	**(₱7,206,059)**

2020

	Balances at Beginning of Year	Net Benefit Cost in Profit and Loss: Current Service Cost	Net Benefit Cost in Profit and Loss: Net Interest	Net Benefit Cost in Profit and Loss: Subtotal	Benefits paid	Remeasurements in Other Comprehensive Income: Loss on Plan Assets	Remeasurements in Other Comprehensive Income: Actuarial Changes Arising From Changes in Demographic Assumptions	Remeasurements in Other Comprehensive Income: Actuarial Changes Arising From Changes in Financial Assumptions	Remeasurements in Other Comprehensive Income: Actuarial Changes Arising From Changes in Experience Adjustments	Remeasurements in Other Comprehensive Income: Subtotal	Balances at End of Year
Fair Value of Plan Assets	₱426,043,093	₱–	₱21,790,458	₱21,790,458	₱–	(₱418,004,016)	₱–	₱–	₱–	(₱418,004,016)	₱29,829,535
Present Value of Defined Benefit Obligation	(48,088,214)	(7,465,455)	(2,439,168)	(9,904,623)	–	–	4,956,236	(2,343,074)	3,195,987	5,809,149	(52,183,688)
Retirement Plan Asset (Obligation)	₱377,954,879	(₱7,465,455)	₱19,351,290	₱11,885,835	₱–	(₱418,004,016)	₱4,956,236	(₱2,343,074)	₱3,195,987	(₱412,194,867)	(₱22,354,153)

The fair value of the Parent Company's plan assets by each class as at June 30 are as follows:

	2021	2020
Assets:		
Cash in banks and cash equivalents	**₱7,956,935**	₱9,956,356
Investments in shares of stock	**33,611,000**	27,862,360
	41,567,935	37,818,716
Liabilities:		
Payable to CAT	**6,230,890**	6,230,390
Accounts payable to various retirees	**107,332**	1,758,791
	6,338,222	7,989,181
Net	**₱35,229,713**	₱29,829,535

Cash equivalents are short-term deposits made for varying periods up to three months and are not subject to significant credit risk and changes in value. Investments in shares of stock consist mainly of the Parent Company's shares which are traded in the PSE with LTF owning 0.97% or 2,318,000 common shares as at June 30, 2021 and 2020.

The principal actuarial assumptions used as at June 30 are as follows:

	2021	2020
Future salary increase rate	**5.00%**	5.00%
Discount rate	**4.82%**	3.48%

The discount rate used is a single weighted average rate based on bootstrapped Bloomberg Valuation Rates at various tenors as at June 30, 2021 and 2020. Rates for intermediate durations were interpolated. The rates were then weighted by the expected benefit payments at those durations to arrive at the single weighted average discount rate.

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

	2021	2020
Discount rate		
Increase of 1%	**(₱2,846,069)**	(₱3,961,746)
Decrease of 1%	**3,281,963**	5,618,358
Future salary increase rate		
Increase of 1%	**₱3,502,905**	₱4,819,523
Decrease of 1%	**(3,094,202)**	(4,217,679)

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

The Parent Company does not expect to make additional contributions to the defined benefit plan in the next fiscal year.

The average duration of the defined benefit obligation as at June 30, 2021 and 2020 is 18 years and 19 years, respectively.

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

2021

	Expected Benefit Payments		
Plan Year	**Normal Retirement**	**Other than Normal Retirement**	**Total**
Less than 1 year	**₱3,836,787**	**₱1,171,368**	**₱5,008,155**
1 year to less than 5 years	**11,802,505**	**5,756,652**	**17,559,157**
5 years to less than 10 years	**32,363,713**	**2,100,878**	**34,464,591**
10 years to less than 15 years	**17,138,387**	**–**	**17,138,387**
15 years to less than 20 years	**20,765,644**	**–**	**20,765,644**
20 years and above	**91,020,051**	**–**	**91,020,051**

2020

	Expected Benefit Payments		
Plan Year	Normal Retirement	Other than Normal Retirement	Total
Less than 1 year	₱2,197,275	₱1,567,718	₱3,764,993
1 year to less than 5 years	12,145,096	7,622,036	19,767,132
5 years to less than 10 years	39,539,256	5,840,174	45,379,430
10 years to less than 15 years	17,449,648	2,714,344	20,163,992
15 years to less than 20 years	26,384,822	3,189,924	29,574,746
20 years and above	104,176,576	9,476,063	113,652,639

23. Related Party Transactions

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

Transactions with Related Parties

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

		Year	Transactions	Outstanding Receivables (Payables)	Terms	Conditions
Shareholders						
Receivables	(a)	**2021**	**₱24,501**	**₱28,507,377**	To be received in cash;	Unsecured;
		2020	₱4,964	₱28,482,876	non-interest bearing; due and demandable	with impairment
Payables	(b)	**2021**	**199,314**	**(9,720,195)**	To be settled in cash;	Unsecured
		2020	1,415,143	(9,520,881)	non-interest bearing; due and demandable	
CRAHI						
Notes receivables	(c)	**2021**	–	**76,566,166**	To be received in cash;	Unsecured;
		2020	–	73,656,602	4%-7% per annum; due and demandable	no impairment
Advances	(c)	**2021**	**26,327,526**	**410,360,084**	To be received in cash;	Unsecured;
		2020	93,952,118	384,032,558	non-interest bearing; due and demandable	with impairment
Deposits	(d)	**2021**	**493,000,000**	**493,000,000**	Non-interest bearing	Unsecured;
		2020	–	–		no impairment
Interest income		**2021**	**2,909,564**	**–**		
		2020	4,717,550	–		
Trust Fund						
Receivables	(e)	**2021**	**759,692**	**6,990,082**	To be received in cash;	Unsecured;
		2020	6,230,390	6,230,390	non-interest bearing; due and demandable	with impairment
Interest income		**2021**	**–**	**–**		
		2020	18,359,947	–		
Common Control						
Green Future Innovations, Inc. (GFII)	(f)	**2021**	**91,178,906**	**145,999,833**	To be received in cash;	Unsecured;
		2020	70,706,007	54,820,927	non-interest bearing; due within one year	no impairment
Tarlac Distillery Corporation (TADISCO)	(g)	**2021**	**9,088,641**	**119,405,353**	To be received in cash;	Unsecured;
		2020	17,856,718	110,316,712	non-interest bearing; due and demandable	with impairment
First Green Renewable Holdings, Inc. (FGRHI)	(f)	**2021**	**6,606,560**	**83,508,050**	To be received in cash;	Unsecured;
		2020	–	76,901,490	non-interest bearing; due and demandable	with impairment
Buena Vista Corporate Asset (BVCAHI)	(g)	**2021**	**103,590**	**12,451,675**	To be received in cash;	Unsecured;
		2020	36,800	12,348,085	non-interest bearing; due and demandable	with impairment
First Lucky Agro-Industrial Corporation (FLAIC)	(h)	**2021**	–	**(2,112,000)**	To be settled in cash;	Unsecured
		2020	–	(2,112,000)	non-interest bearing; due and demandable	
CAT Foundation	(i)	**2021**	–	**1,000,000**	To be received in cash;	Unsecured;
		2020	1,000,000	1,000,000	non-interest bearing; due and demandable	no impairment

(Forward)

		Year	Transactions	Outstanding Receivables (Payables)	Terms	Conditions
Directors, Officers and Employees						
Receivables	(j)	**2021**	**₱1,934,199**	**₱ 6,862,997**	To be received in cash; non-interest bearing; due and demandable	Unsecured; no impairment
		2020	1,400,301	15,798,041		
Total due from related parties (see Notes 6 and 9)		**2021**		**₱1,384,651,617**		
		2020		₱763,587,681		
Total advances from related parties (see Note 15)		**2021**		**(₱11,832,195)**		
		2020		(₱11,632,881)		

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

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

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

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

d. Pertains to the refundable deposits given to CRAHI as consideration for the grant of exclusivity to acquire parcels of land owned by of CRAHI's land within 180 days, subject to extension as agreed by both parties.

e. Pertains to cash advances given to LTF for the funding of the manpower reduction program in 2015.

   On March 15, 2020, the Board of Trustees of LTF approved the terms of the Agreement (the Agreement) between LTF and the Parent Company which novates the terms of payment of the loan agreement between them dated October 15, 2015. In the said Agreement, LTF shall sell its CAT shares equivalent to 44,041,920 shares with a total value of ₱369.1 million to CAT. The sale of shares shall constitutes full, complete and final payment of LTF's outstanding obligation under the loan agreement.

f. Pertains to sale of molasses and cash advances given to GFII and FGRHI to fund their working capital requirements

g. Pertains to cash advances given to TADISCO and BVCAHI to fund their capital expenditures and working capital requirements.

h. Pertains to purchases of agricultural products from FLAIC.

i. Pertains to cash advances made to the CAT foundation.

j. These receivables represent loans and cash advances made by the Group for business expenses that are anticipated to be incurred by the employees, directors, or officers on behalf of the Group.

Compensation of Key Management Personnel
Short-term employee benefits of key management personnel amounted to ₱20.1 million, ₱25.2 million and ₱25.2 million for the years ended June 30, 2021, 2020 and 2019 respectively.

24. **Income Taxes**

Net deferred income tax assets as at June 30, 2021 is as follows:

Deferred income tax assets recognized in profit or loss:	
Allowance for expected credit loss	**₱688,800**
Estimated liability for cash surrender value	**382,173**
Retirement benefits	**221,383**
	1,292,356
Deferred income tax liability on retirement benefit recognized in other comprehensive income	**(171,958)**
Net deferred income tax assets	**₱1,120,398**

Net deferred income tax liabilities as at June 30 is as follows:

	2021	2020
Recognized in profit or loss		
Deferred income tax assets:		
NOLCO	**₱5,367,249**	₱–
MCIT	**1,936,057**	–
Allowance for expected credit losses	**1,535,354**	1,842,424
Allowance for inventory obsolescence	**1,458,792**	1,750,550
Unamortized portion of past service costs	**1,376,820**	3,132,997
Unrealized foreign exchange loss	**13,547**	7,029
	11,687,819	6,733,000
Deferred income tax liabilities:		
Fair value adjustment on real estate held for sale and development	**(65,988,356)**	(79,186,027)
Retirement benefit	**(16,822,547)**	(20,491,157)
Others	**(151,928)**	(182,314)
	(71,275,012)	(93,126,498)
Recognized in other comprehensive income		
Deferred income tax asset on retirement benefit	**18,624,062**	27,197,403
Deferred income tax liabilities on unrealized cumulative gains on financial assets at FVOCI	**(17,865,671)**	(12,897,390)
	758,391	14,300,013
Deferred income tax liabilities recognized directly in equity on revaluation increment on property, plant and equipment	**(247,177,706)**	(296,613,247)
Net deferred income tax liabilities	**₱317,694,327**	₱375,439,732

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

	2021	2020	2019
Income tax at statutory tax rate	**(₱1,943,450)**	₱38,540,906	₱126,121,891
Income tax effects of:			
Net nondeductible expenses	**26,353**	3,545,332	7,887,034
Change in tax rate due to CREATE	**(15,521,084)**	–	–
Changes in unrecognized deferred income tax assets	**(2,800,186)**	(3,447,424)	(2,143,500)
Interest income already subjected to final tax	**(70,897)**	(26,707)	(94,031)
Gain on fair value change of investment property	**–**	–	(64,110,810)
Effect of adoption of PFRS 15	**–**	4,759,493	(4,759,493)
Others	**–**	–	3,588,319
	(₱20,309,264)	₱43,371,600	₱66,489,410

Bayanihan to Recover as One Act (Bayanihan 2)
On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As at June 30, 2021, the Group has incurred NOLCO in taxable year 2021 which can be claimed as deduction for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover as One Act, as follows:

NOLCO

Year Incurred	Availment Period	Amount	Applied	Expired	Balance
2021	2022-2026	₱21,468,996	₱–	₱–	₱21,468,996

MCIT

Year Incurred	Availment Period	Amount	Applied	Expired	Balance
2018	2019-2021	₱453,601	₱453,601	₱–	₱–
2019	2020-2022	483,686	483,686	–	–
2020	2021-2023	585,358	585,358	–	–
2021	2022-2024	1,936,057	–	–	1,936,057
		₱3,458,702	₱1,522,645	₱–	₱1,936,057

As at June 30, 2020, the Group has the following temporary differences and unused MCIT for which deferred income tax assets have not been recognized.

Allowance for credit losses	₱2,764,642
Estimated liability for cash surrender value	1,528,693
MCIT	1,522,645
Retirement benefits	178,204

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. As at June 30, 2021, deferred income tax assets have been recognized based on the management's assessment on the probability of having sufficient taxable income in the future that will allow the Group to derive benefit.

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act
On March 26, 2021, the Office of the President of the Philippines signed into law the CREATE Act to attract more investments and maintain fiscal prudence and stability in the Philippines.
Republic Act 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Group:

- Effective July 1, 2020, RCIT rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.

- MCIT rate is reduced from 2% to 1% effective July 1, 2020 to June 30, 2023.

The decrease in the RCIT and MCIT rates reduced the Group's current income tax expense by ₱1.9 million. In addition, net adjustments to reduce the Group's deferred income tax assets and liabilities amounted to ₱66.3 million.

25. **Agreements**

Milling Agreements
The Group's milling agreements with various planters provide for a 67.0% and 33.0% sharing between the planters 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. The following table summarizes the sugar obligations of the Group:

	2021	2020
Refined sugar - traders	**34,107 Lkg**	25,249 Lkg

Lease Agreement
In previous years, the Group transferred its main office and entered into an operating lease agreement with Celestite, Inc., 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. Expense recognized related to this lease agreement in the consolidated statements of income amounted to ₱4.9 million, ₱3.1 million and ₱3.6 million in 2021, 2020 and 2019, respectively.

26. 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, 2021 and 2020, 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 394 and 392 as at June 30, 2021 and 2020.

For the year ended June 30, 2020, in relation to the Agreement entered into by the Parent Company and LTF, the Parent Company reacquired its own shares of stock for a total value of ₱369.1 million [see Note 23(e)]. This amount is recognized as part of the Group’s treasury shares.

Retained Earnings
The balance of retained earnings as at June 30 is as follows:

	2021	2020
Unappropriated	**₱713,916,288**	₱633,078,103
Appropriated	**1,500,000,000**	2,000,000,000
	₱2,213,916,288	₱2,633,078,103

On June 30, 2020, the BOD reversed previously appropriated retained earnings amounting to ₱2.35 billion and revisited the appropriate level of appropriation in alignment with the existing circumstances. On the same date, the BOD approved the appropriation of its retained earnings amounting to ₱2.0 billion. Portion of this appropriation was reversed by ₱500.0 million on June 30, 2021 to consider the current development of the projects where this appropriation is intended. As at June 30, 2021, the retained earnings that remains appropriated are for the continuation of the following projects within the next three to four years:

- ₱525.0 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.

- ₱350.0 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.

- ₱625.0 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.

On November 9, 2020, the BOD declared dividends amounting to ₱431.7 million at ₱1.81 per share out of the Group's retained earnings as at June 30, 2020. Dividends amounting to ₱407.7 million was paid in 2020. As at June 30, 2021 and 2020, dividends payable recognized under "Trade and other payables" account amounted to ₱25.1 million and ₱1.0 million (see Note 15), respectively. No dividend declaration was made for the year ended June 30, 2020.

In accordance with the Revised SRC Rule 68, Annex 68-D, the Parent Company's retained earnings available for dividend declaration amounted to ₱194.3 million as of June 30, 2021.

Basic/Diluted Earnings (Loss) Per Share

The basic/diluted earnings (loss) per share for the years ended June 30 are computed as follows:

	2021	2020	2019
Net income (loss) (a)	**₱12,535,465**	₱85,098,087	₱353,916,892
Weighted average number of shares (b):			
Issued shares	**282,545,960**	282,545,960	282,545,960
Less treasury shares	**44,049,120**	12,852,760	7,200
	238,496,840	269,693,200	282,538,760
Basic/diluted earnings per share (a/b)	**₱0.053**	₱0.32	₱1.25

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

27. 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:

2021

	Fair Value Measurement Using			
	Quoted Prices in Active Markets (Level 1)	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Land classified as property, plant and equipment	**₱–**	**₱–**	**₱996,790,400**	**₱996,790,400**
Investment property	**–**	**–**	**437,264,080**	**437,264,080**
Financial assets at FVOCI - quoted	**145,638,368**	**–**	**–**	**145,638,368**
	₱145,638,368	**₱–**	**₱1,434,054,480**	**₱1,579,692,848**

2020

	Fair Value Measurement Using			
	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Land classified as property, plant and equipment	₱–	₱–	₱996,790,400	₱996,790,400
Investment property	–	–	437,264,080	437,264,080
Financial assets at FVOCI - quoted	112,516,500	–	–	112,516,500
	₱112,516,500	₱–	₱1,434,054,480	₱1,546,570,980

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

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

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

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

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

Unobservable Inputs	Amount or Percentage of Unobservable Inputs	Relationship of Unobservable Inputs to Fair Value
Sale/asking price per sq. m.	₱900 to ₱1,300	The higher the value, the higher the fair value
Conditions on sale of comparable properties	15.0%	The more onerous the conditions in contract of sale of comparable properties, the higher the fair value
Physical adjustments	50.0%	The superiority of the quality of the Group's land, the higher the fair value

Fair value of all other assets and liabilities approximates their carrying values as at reporting date 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, 2021 and 2020.

Cash, Receivables, Trade and Other Payables and Short-term Notes Payable

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

Long-term Receivable
The carrying value of long-term receivables approximates its fair value based on the discounted value of future cash flows using applicable rates ranging from 1.60% to 2.34% as of June 30, 2021 (Level 3; see Note 2).

Notes Payable
The fair value of notes payable amounting to ₱918.6 million (carrying value of ₱865.0 million) is based on the discounted value of future cash flows using applicable rates plus credit spread for similar types of loans ranging from 3.68% to 6.02% as at June 30, 2021 (Level 3; see Note 2).

Financial Assets at FVOCI
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.

28. Financial Risk Management Objectives and Policies

The Group's principal financial instruments include cash, receivables, financial assets at FVOCI, long-term receivables lodged under "Other noncurrent assets" account, short-term notes payable and notes payable. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as receivables and trade and other payables, which arise directly from its operations.

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

Liquidity Risk
Liquidity risk is the risk that the Group will not be able to settle or meet its obligations on time or at reasonable prices. The Group uses cash flow approach in managing its liquidity, in this way, funding requirements under normal economic condition are met. In addition, the Group has an existing line of credit with BDO through its WCFA which allows the Group access to funds for liquidity purposes.

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

2021

	Within 30 Days	Within 1 Year	More than 1 Year	Total
Trade and other payables*	**₱56,081,815**	**₱529,133,740**	**₱–**	**₱585,215,555**
Short-term notes payable	**–**	**1,036,421,258**	**–**	**1,036,421,258**
Notes payable	**–**	**138,447,519**	**918,669,373**	**1,057,116,892**
	₱56,081,815	**₱1,704,002,517**	**₱918,669,373**	**₱2,678,753,705**

**excluding statutory liabilities*

2020

	Within 30 Days	Within 1 Year	More than 1 Year	Total
Trade and other payables*	₱30,845,452	₱423,134,304	₱–	₱453,979,756
Short-term notes payable	–	1,011,548,564	–	1,011,548,564
	₱30,845,452	₱1,434,682,868	₱–	₱1,465,528,320

**excluding statutory liabilities*

The financial liabilities in the above tables are gross undiscounted cash flows and includes future interest. Those amounts may be settled by using the following financial assets:

2021

	Within 30 Days	**Within 1 Year**	**Above 1 Year**	**Total**
Cash	**₱107,420,809**	**₱–**	**₱–**	**₱107,420,809**
Receivables:				
Trade	**3,991,445**	**35,192,625**	**16,041,041**	**55,225,111**
Planters' receivable	**–**	**15,765,741**	**–**	**15,765,741**
Notes receivable	**–**	**4,039,751**	**–**	**4,039,751**
Due from related parties	**205,031**	**891,446,586**	**–**	**891,651,617**
Advances	**–**	**35,696,575**	**–**	**35,696,575**
Long-term receivables	**–**	**56,122,219**	**112,244,440**	**168,366,659**
Others	**–**	**16,203,968**	**–**	**16,203,968**
Financial assets at FVOCI	**–**	**145,800,368**	**–**	**145,800,368**
	₱111,617,285	**₱1,200,267,833**	**₱128,285,481**	**₱1,440,170,599**

2020

	Within 30 Days	Within 1 Year	Above 1 Year	Total
Cash	₱261,264,563	₱–	₱–	₱261,264,563
Receivables:				
Trade	4,715,803	56,722,607	16,041,041	77,479,451
Planters' receivable	–	10,747,500	–	10,747,500
Notes receivable	–	2,622,231	–	2,622,231
Due from related parties	1,233,610	762,354,071	–	763,587,681
Advances	–	25,565,086	–	25,565,086
Others	–	23,393,960	–	23,393,960
Financial assets at FVOCI	–	112,678,500	–	112,678,500
	₱267,213,976	₱994,083,955	₱16,041,041	₱1,277,338,972

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, receivables and financial assets at FVOCI, 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:

	2021	2020
Cash	**₱107,420,809**	₱261,264,563
Receivables	**1,052,698,158**	881,379,643
Financial assets at FVOCI	**145,800,368**	112,678,500
Noncurrent portion of long-term receivables	**109,076,253**	−
Total credit risk exposure	**₱1,414,995,588**	₱1,255,322,706

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

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

2021

		Neither	Past Due but not Impaired			
	Total	**Past Due nor Impaired**	**30 Days**	**90 Days**	**More than 150 Days**	**Impaired**
Trade	**₱55,225,111**	**₱38,986,446**	**₱–**	**₱–**	**₱13,285,841**	**₱2,952,824**
Planters' receivables	**15,765,741**	**6,867,850**	**3,005,331**	**388,291**	**–**	**5,504,269**
Due from related parties	**891,651,617**	**6,862,996**	**–**	**–**	**884,442,455**	**346,166**
Advances	**35,696,575**	**–**	**–**	**–**	**22,493,010**	**13,203,565**
Long-term receivables	**165,198,472**	**165,198,472**	**–**	**–**	**–**	**–**
Others	**20,243,719**	**20,243,719**	**–**	**–**	**–**	**–**
	₱1,183,781,235	**₱238,159,483**	**₱3,005,331**	**₱388,291**	**₱920,221,306**	**₱22,006,824**

2020

		Neither	Past Due but not Impaired			
	Total	Past Due nor Impaired	30 Days	90 Days	More than 150 Days	Impaired
Trade	₱77,479,451	₱61,240,786	₱–	₱–	₱13,276,399	₱2,962,266
Planters' receivables	10,747,500	737,062	4,506,169		–	5,504,269
Due from related parties	763,587,681	15,798,041	–	–	747,443,474	346,166
Advances	25,565,086	–	–	–	12,361,521	13,203,565
Others	26,016,191	26,016,191	–	–	–	–
	₱903,395,909	₱103,792,080	₱4,506,169	₱–	₱773,081,394	₱22,016,266

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

2021

	Grade		
	High	**Standard**	**Total**
Loans and receivables:			
Cash	**₱107,420,809**	**₱–**	**₱107,420,809**
Trade receivables	**38,986,446**	**–**	**38,986,446**
Planters' receivables	**6,867,850**	**–**	**6,867,850**
Due from related parties	**6,862,996**	**–**	**6,862,996**
Long-term receivables	**165,198,472**	**–**	**165,198,472**
Others	**20,243,719**	**–**	**20,243,719**
Financial assets at FVOCI:			
Proprietary	**145,250,000**	**–**	**145,250,000**
Listed	**388,368**	**–**	**388,368**
Unlisted	**–**	**162,000**	**162,000**
	₱491,218,660	**₱162,000**	**₱491,380,660**

2020

	Grade		
	High	Standard	Total
Loans and receivables:			
Cash	₱261,264,563	₱–	₱261,264,563
Trade receivables	61,196,310	–	61,196,310
Planters' receivables	737,062	–	737,062
Due from related parties	15,798,041	–	15,798,041
Others	26,016,191	–	26,016,191
Financial assets at FVOCI:			
Proprietary	112,140,000	–	112,140,000
Listed	376,500	–	376,500
Unlisted	–	162,000	162,000
	₱477,528,667	₱162,000	₱477,690,667

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
The Group's exposure to the risk for changes in market interest rate relates primarily to its long-term notes payable with floating interest rates. The Group regularly monitors its interest rate exposure from interest rate movements. Management believes that cash generated from operations is sufficient to pay for its obligations under the financing agreement as they fall due.

The following table sets forth the estimated change in the Group's income before income tax through the impact on floating rate borrowings due to parallel changes in the interest rate:

	Increase in basis points	Decrease in basis points
Increase (decrease) in income before income tax:		
June 30, 2021 at 30 basis points	(₱2,011,654)	₱408,637

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, notes payable, trade and other payables, income tax payable and other liabilities. Equity includes capital stock, retained earnings, revaluation increment, remeasurement losses on retirement plan, unrealized cumulative gains on financial assets at FVOCI and net of treasury stock.

	2021	2020
Short-term notes payable	**₱1,008,355,213**	₱1,007,841,467
Notes payable	**858,259,044**	–
Trade and other payables	**599,712,049**	461,731,811
Income tax payable	**–**	17,043,114
Other liabilities	**43,841,653**	55,320,254
Total debt (a)	**2,510,167,959**	1,541,936,646
Equity	**3,106,834,558**	3,440,941,573
Total debt and equity (b)	**₱5,617,002,517**	₱4,982,878,219
Gearing ratio (a/b)	**0.45**	0.31

In addition to the gearing ratio which the Group is monitoring, the notes payable agreement requires the Group to maintain a debt to equity that is not exceeding 2.33x. Furthermore, a Debt Service Coverage Ratio of not less than 1.10x is also required under the agreement. The first testing date is on November 15, 2021.

29. Note to Consolidated Statements of Cash Flows

Changes in liabilities arising from financing activities are as follows:

2021

	July 1, 2020	Net cash flows	Interest expense	Amortization	Reclassification	June 30, 2021
Current interest-bearing loans and borrowings	**₱1,007,841,467**	**₱–**	**₱–**	**₱–**	**₱87,920,438**	**₱1,095,761,905**
Non-current interest-bearing loans and borrowings	**–**	**854,911,166**	**–**	**3,347,878**	**(87,406,692)**	**770,852,352**
Interest on loans and borrowings	**3,707,097**	**(86,322,994)**	**94,264,943**	**–**	**(513,746)**	**11,135,300**
Total liabilities from financing activities	**₱1,011,548,564**	**₱768,588,172**	**₱94,264,943**	**₱3,347,878**	**₱–**	**₱1,877,749,557**

2020

	July 1, 2019	Net cash flows	Interest expense	June 30, 2020
Current interest-bearing loans and borrowings	₱992,890,816	₱14,208,811	₱741,840	₱1,007,841,467
Interest on loans and borrowings	2,907,106	(63,095,531)	63,895,522	3,707,097
Total liabilities from financing activities	₱995,797,922	(₱48,886,720)	₱64,637,362	₱1,011,548,564

2019

	July 1, 2018	Net cash flows	Interest expense	Others	June 30, 2019
Current interest-bearing loans and borrowings	₱945,380,104	₱47,510,712	₱–	₱–	₱992,890,816
Interest on loans and borrowings	9,634,557	(54,220,896)	56,244,252	(8,750,807)	2,907,106
Total liabilities from financing activities	₱955,014,661	(₱6,710,184)	₱56,244,252	(₱8,750,807)	₱995,797,922

30. COVID-19

The Philippines has been placed in a stringent community quarantine, varying in terms of degree and location since the COVID-19 outbreak in 2020. This community quarantine negatively affects businesses, especially those that are not considered essentials.

The Group has not been severely affected by these disruptions as the Group's operations are considered essential. In addition, its areas of operations are limited, thus, logistics and other mobility considerations did not have an effect on the Group. However, considering the uncertainties about this pandemic, the Group will continue to monitor the situation in order to ensure that its impact remains minimal.

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INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Central Azucarera de Tarlac, Inc. and its subsidiary (the Group) as at June 30, 2021 and 2020, and for each of the three years in the period ended June 30, 2021, included in this Form 17-A and have issued our report thereon dated October 7, 2021. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Maria Veronica Andresa R. Pore

Maria Veronica Andresa R. Pore
Partner
CPA Certificate No. 90349
Tax Identification No. 164-533-282
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 0662-AR-4 (Group A)
November 21, 2019, valid until November 20, 2022
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-071-2020, December 3, 2020, valid until December 2, 2023
PTR No. 8534345, January 4, 2021, Makati City

October 7, 2021

CENTRAL AZUCARERA DE TARLAC AND SUBSIDIARY
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AND SUPPLEMENTARY SCHEDULE

SUPPLEMENTARY SCHEDULES