PW0000000727

S.E.C Registration Number

CENTRAL AZUCARERA DE TARLAC
AND SUBSIDIARY

(Company's Full Name)

SAN MIGUEL, TARLAC CITY

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

Cecile D. Macaalay	**(632) 8818-1868**
Contact Person	Company Telephone Number

0 6 / 3 0	**SEC 17-A Annual Report for the period ended June 30, 2022**	0 1 / any
Month Day Fiscal Year	FORM TYPE	Month Year Annual Meeting

Secondary License Type, If Applicable

CFD

Dept. Requiring this Doc

Amended Articles Number/Section

Total Amount of Borrowings

393		
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel Concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, *AS AMENDED*

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

1. For the fiscal year ended **June 30, 2022**

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

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

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

6. (SEC Use Only)
   Industry Classification Code:

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

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

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

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
COMMON	238,496,840

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

    Yes [**X**] No [ ]

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

12. Check whether the issuer:

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

Yes [**X**] No [ ]

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

Yes [ ] No [**X**]

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

Not applicable

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PART I - BUSINESS AND GENERAL INFORMATION

A. Description of Business

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

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

Products and By-Products

Raw and Refined Sugar

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

The mill's sugar sales and the refinery's tolling fees represent approximately 32% and 11%, respectively, of the Company's total revenues. The raw and refined sugars produced are sold to industrial users through traders. The Company operates within 4 to 5 months while the refinery operates between 5 to 6 months within the crop year.

Alcohol

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

Carbon Dioxide

The slops emanating from the distillery are captured by the carbon dioxide plant to produce liquid carbon dioxide. The plant has a capacity of 30,000 kilos per day and operates for 4 to 5 months of the year. Carbon Dioxide sales account for 1-2% of the Company's total revenues in the last three years and are sold to industrial users.

Industrial Services

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

Industrial Profile

The International Sugar Organization, in its August 2022 report estimated that the world sugar production will reach 174.109 million tons, raw value, by the end of the Crop Year on September 30, 2022. This is higher by 5.652 million tons or by 3.36% from the previous season. After three (3) years of decline in output, the world sugar economy is now projected to post a growth in production. The projected increase in production of the sugar producing countries in Europe and the generally anticipated higher output from cane producing countries in Asia, led by India, Pakistan and Thailand, are estimated to be more than enough to offset the drop in production in South America.

World sugar consumption in 2021-22 is estimated to be at 175.449 million tons, up by 1.52% or by 2.625 million tons from the previous season. Much of this expected growth rate will be fueled by higher demand from Western Europe, North and Central America, the Middle East and Africa and in Asia. Higher Asian consumption for sugar will come from Indonesia, Malaysia, Thailand, Vietnam, India and Pakistan.

Hereunder are the latest world sugar balance figures from the International Sugar Organization:

	World Sugar Balance (Million Metric Tons, Raw Value)			
	2021-22	2020-21	Change	
			in MMT	in Percent
Production	174.109	168.457	5.652	3.36%
Consumption	175.449	172.824	2.625	1.52%
Surplus/(Deficit)	(1.340)	(4.367)		
Import Demand	61.008	63.536	(2.528)	-3.98%
Export Availability	61.747	62.761	(1.014)	-1.62%
End Stocks	93.145	95.217	(2.072)	-2.18%
Stock/Consumption Ratio, in percent	**53.09%**	**55.09%**		

Note that despite of the higher projected sugar output for this year, the increased demand is expected to result in an overall production deficit placed at 1.340 million tons. This estimated deficit, however, is an improvement of 69.32% or 3.027 million tons from the previous deficit of 4.367 million tons. Consequently, the Stock to Consumption is projected to go down from 55.09% to 53.09%.

At the start of the season in September 2021, the world market price for raw sugar (Contract #11) averaged at around $19.28 cents per pound until it reached its peak in November 2020 at P19.75 cents per pound. From then on, world market prices for raw sugar fluctuated anywhere from $18+ to $19+ cents per pound and by August 2022 was at the level of $18.06 cents per pound. For the world refined sugar market (Contract #5), the price fluctuated from a low of $22.60 per pound ($498.24 per ton) to $25.48 cents per pound ($561.74 per ton). By the end of August 2022, the refined price is at $24.78 cents per pound or at about $546.31 per ton.

Expecting the recurrence of the La Nina phenomenon which is characterized by above normal rainfall, the Sugar Regulatory Administration (SRA), thru Sugar Order No. 1 s. 2021-22 allocated the entire raw sugar production for CY 2021-22 as "B" or Domestic Sugar. At that time, the country is expecting to produce more or less the same output from the previous 2020-2021 season of around 2.1 million metric tons, raw value. However, in December 16 & 17, 2021, a Category 5 typhoon named "Odette" brought havoc to key sugar producing provinces Negros, Panay and Central Visayas. Typhoon Odette damaged and/or flooded sugarcane crops, sugar stocks in warehouses, and facilities and equipment of raw sugar mills and refineries. Typhoon Odette was closely followed by another destructive weather disturbance. On January 2 and 3, 2022, Tropical Storm "Agaton" brought miseries to Central Visayas, Northern Mindanao and Palawan.

As a result of the generally unfavorable condition that prevailed throughout the season the country's total cane tonnage and raw sugar production declined.

Below are the tons cane milled for CY2021-2022

CANE TONNAGE - PHILIPPINES - CY 2021-22 & CY 2020-21						
MILLS	TONS CANE MILLED				% SHARE IN TOTAL	
	2021-22	2020-21	GROWTH	%	2021-22	2020-21
LUZON						
Cagayan	148,409	131,147	17,262	13.16%	0.70%	0.52%
Bicol	104,670	109,845	(5,175)	-4.71%	0.49%	0.43%
Batangas	1,052,302	1,268,709	(216,407)	-17.06%	4.96%	5.02%
Tarlac	352,374	466,737	(114,363)	-24.50%	1.66%	1.85%
VISAYAS						
Panay	1,590,320	1,796,551	(206,231)	-11.48%	7.49%	7.11%
Eastern Visayas	403,634	533,040	(129,406)	-24.28%	1.90%	2.11%
Negros	13,435,650	16,056,074	(2,620,424)	-16.32%	63.27%	63.52%
MINDANAO	4,147,246	4,913,958	(766,712)	-15.60%	19.53%	19.44%
Total	**21,234,605**	**25,276,061**	**-4,041,456**	**-15.99%**	**100.00%**	**100.00%**

For Crop year 2021-2022, the country milled a total of 21,234,605 tons of cane which is lower by 15.99% or by 4,041,456 tons cane from the previous year. On a year-on-year basis, the recovery improved a bit to 1.74 vs. 1.71 50-kilogram bags raw sugar per ton of cane milled. Consequently, the country's raw sugar production totaled 36,417,260 50-kilogram bags, down by 15.03% or by 6,443,100 50-kilogram bags from the previous season.

The drop in the total cane tonnage was posted in all key sugar producing areas. In Luzon and Negros the drop in tonnage were registered at a little over 16%. Canes harvested in Panay went down by 11.48% and a higher 24.28% drop in tonnage in Eastern Visayas. In Mindanao the decline in the total milled canes was at 15.60%.

Transactions With and/or Dependence on Related Parties

The Company's transactions with related parties are disclosed in Note 23 (pages 40-42) of the Company's audited financial statements. In addition, the Company's operations are not dependent on its related parties. The Company provides working capital support to its related parties.

Research and Development Spend

CAT spends approximately 0.04 - 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 ₱80-100M 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, 2022, following is the employee details:

	Exec./Mgrl./Supv.		Rank/File		Retainer/	Total
	Perm.	Prob.	Perm.	Prob.	Consultant	
CAT- TARLAC	100	10	182	10	14	316
CAT- MAKATI	7		3		11	21
LLC	4	2	2		2	10
TOTAL	**111**	**12**	**187**	**10**	**27**	**347**

Major Risk in the Business of CAT

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

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

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

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

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

<u>Hazard risk.</u> 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

Market Information

Central Azucarera de Tarlac is a Company whose common shares are listed in the Philippine Stock Exchange since April 1977. The following tables list the Company's Stock Price for the 3-year period from FY 2020-2023 and its last trading date.

Market Information				
Year	**Quarter**	**Period**	**High**	**Low**
2022-2023	1Q	July - September	11.48	9.13
2021 - 2022	1Q	July - September	14.90	12.94
	2Q	October - December	14.40	13.00
	3Q	January - March	13.78	12.08
	4Q	April - June	13.54	10.00
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

Market Information (Last Trading Date)	
Date	October 18, 2022
Open	10.00
High	10.00
Low	10.00
Close	10.00
Volume	1,800

Holders of Security

The following table enumerates the top 20 shareholders of the Company as of June 30, 2022.

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)	Others	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, 2022.

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, 2022.

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	5000	Indirect	Filipino	0%
Common	Janette L. Peña	0	-	Filipino	0%
Common	Addison B. Castro	0	-	Filipino	0%
Total		**201,724,160**			**85%**

Dividends

2021 – 2022 - No dividends declared
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, 2022, 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 393 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 stirred back the Company to profitability in the Fiscal Year 2021-2022. The unfavorable financial effects of the global pandemic had been governed with great care to allow more focus on optimizing resources and maximizing margins.

The Company EBITDA of ₱298.8M increased by 47% from ₱203.4M in FY2021-2022. The significant increase was widely caused by the substantial improvement in sugar prices benefitting the entire industry. Despite the sugar volume being down as experienced across nationwide, sugar prices helped mitigate and offset the inflationary costs of production. As a result, EBITDA margin bounced back to 21% from 15% for the same period last year.

Cost of goods sold decreased by 5% or ₱49.9M at 79% of Revenues this year from 86% of Revenues last year due to the increased production efficiency. This included the enhanced management of resources amidst lower yields which countered the unavoidable increases in utilities and fuel. As a consequence, Gross Profit improved by 62% to ₱305.6M from ₱188.7M.

On the other hand, operating expenses remained at bay except for utilities, fuel and taxes which moved along with the steep hike in energy and petroleum prices. Even with the conscious management of costs, operating expenses increased by 10% to ₱120.8M from ₱109.5M.

At fiscal year-end, CAT ended strongly with a sevenfold increase in Net Income to ₱80.0M from ₱12.5M last year. With strict adherence to Company strategies and continuous diligence in its implementation, the boost in margins paved the Company back on track to sustainable profitability and growth.

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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, 2022, 2021 & 2020.

(In Million Pesos except for Volume, Price & EPS)	FY 2022		FY 2021		FY 2020	
	352,374 TC		466,737 TC		470,818 TC	
	AMT	%	AMT	%	AMT	%
VOLUME AND PRICE MATRIX	Vol	P	Vol	P	Vol	P
Raw Sugar Equivalent	247,980	1,955	270,275	1,516	324,381	1,517
Tolling of Refined Sugar	533,773	244	582,643	243	712,859	243
Alcohol	6,184,825	60	5,311,990	64	7,740,939	58
Carbon Dioxide	1,727,060	9	2,104,730	8	1,489,610	10
REVENUE	1,435.65	100%	1,368.61	100%	1,525.65	100%
Sugar	484.85	34%	409.84	29%	491.98	34%
Tolling of Refined Sugar	130.06	9%	141.49	10%	173.11	12%
Alcohol	371.55	26%	342.02	24%	446.64	31%
Molasses	63.57	4%	121.45	8%	2.45	0%
Carbon Dioxide	15.61	1%	17.10	1%	14.52	1%
Service Income	322.67	22%	289.30	20%	352.50	25%
Industrial services	47.34	3%	42.36	3%	44.46	3%
Real estate sale	.00	0%	5.06	0%	.00	0%
COST OF GOODS SOLD AND SERVICES	1,130.05	79%	1,179.91	86%	1,235.97	81%
Costs of goods sold and services	1,010.97	70%	1,061.28	78%	1,117.78	73%
Costs of tolling services	93.18	6%	95.52	7%	99.88	7%
Cost of industrial services	25.89	2%	23.12	2%	18.31	0%
Cost of real estate	.00	0%	.00	0%	.00	0%
GROSS PROFIT	305.60	21%	188.70	14%	289.68	19%
OPERATING EXPENSES	120.80	8%	109.50	8%	141.88	9%
OPERATING PROFIT BEFORE INTEREST AND TAXES	184.80	13%	79.20	6%	147.79	10%
Interest expense and bank charges	(110.07)	-8%	(101.56)	-7%	(66.65)	-4%
Interest income	4.73	0%	4.61	0%	24.75	2%
Gain on fair value change of investment property	19.58	4%	.00	0%	.00	0%
Others - net	1.42	0%	9.98	1%	22.58	1%
INCOME BEFORE TAX	100.46	7%	(7.77)	-1%	128.47	8%
PROVISION FOR INCOME TAX	20.47	1%	-20.31	-1%	43.37	3%
NET INCOME	80.00	6%	12.54	1%	85.10	6%
EBITDA	298.76	21%	203.37	15%	300.50	20%
EPS	P0.34		P0.05		P0.30	

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Plan of Operation

Outlook for FY 2022-2023

In its latest assessment, The International Sugar Organization (ISO) is anticipating a global sugar surplus in CY 2022-23 of 5.571 million tons, raw value. The world sugar production is seen to reach a new high of 181.912 million tons, substantially more than the previous record high posted in CY 2017-18 of 179.828 million tons and the CY 2021-22 total of 174.109 million tons. The higher world sugar output will be driven by the anticipated higher production from Brazil, Thailand and China for a combined 7.728 million tons, raw value. The projected incremental output from these sugar producing countries will be more than enough to offset the estimated drops in the sugar output from the European Union (EU), Ukraine and Pakistan. The bulk of the world sugar production for CY 2022-23 will be cane sugar, estimated to comprise 80.2% or 145.9 million tons. The rest will be in the form of beet sugar estimated to total to around 36.0 million tons or 19.8% of the total world sugar output.

The world sugar consumption is projected to grow by a modest 0.51% or by 0.892 million against the prior year's demand growth rates of 2.15% in CY 2020-21 and 1.52% in CY 2021-22. The anticipated total world sugar consumption of the upcoming crop year already took into consideration the impact of inflation in the cost of living and the higher cost of consumer food products despite the downward trend in the commodity prices in recent months.

Hereunder is the latest World Sugar Balance estimate for CY 2022-23:

	World Sugar Balance (Million tons, raw value)			
	2022-23	2021-22	Change	
			in mln t	in percent
Production	181.912	174.109	7.803	4.48%
Consumption	176.341	175.449	0.892	0.51%
Surplus/(Deficit)	5.571	(1.340)		
Import Demand	60.514	61.008	(0.494)	-0.81%
Export Availability	62.861	61.747	1.114	1.80%
End Stocks	96.349	93.145	3.204	3.44%
Stock/Consumption Ratio, in percent	**54.64%**	**53.09%**		

The anticipated production surplus for CY 2022-23 of 5.571 million tons should see forecast shift to a neutral to bearish sentiments. Adding to production surplus factor are the challenges in the facilitation of trade among nations due to various reasons such as the Baltic Sea conflict, the lockdowns in China and expensive fuel cost resulting to higher freight. Also, we cannot discount the effects of various government-imposed trade restrictions and sanctions which are slowing down global trade. All of these are putting downward pressure in market prices of sugar, as has been the trend since April 2022 where we see raw sugar prices move down from an average of more than $19 cents per pound to less than $18 cents per pound the end of August 2022.

For Crop Year 2022-23, the Sugar Regulatory Administration (SRA) estimate the country's sugar production to reach nearly 1.876 million tons, raw value. This is 3% higher than the current 1.821 million tons. This together with the reported lower carry-over inventory for the coming crop, the SRA decided for the second year in a row to scrap the allocation for the US quota and allocate the country's entire production for domestic consumption. Also, for the coming milling season the SRA is projecting demand to be at around 2.031 million tons. Thus, indicating another year of production shortfall for the local sugar industry. This scenario and barring the issuance of any unfavorable government policy or program to address the production shortfall should ensure a reasonably profitable year for all the local sugar industry players.

Effectively, all of the country sugar production for 2022-23 is allocated for domestic consumption.

Sugar Classes	Production MMT	% Allocation
"A" or U.S. Market Sugar	-	0%
"B" or Domestic Sugar Market	1.876	100%
"D" or World Sugar Market	-	0%
	1.876	**100%**

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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 2022	FY 2021	FY 2020
Revenue (in millions)	1,435.65	1,368.61	1,525.65
% Growth	4.9%	-10.3%	-5.4%

EBITDA	FY 2022	FY 2021	FY 2020
EBITDA (in millions)	298.8	203.4	300.5
% Growth	47%	-32%	-48%
EBITDA Margin	21%	15%	20%

Net Income	FY 2022	FY 2021	FY 2020
Net income (in millions)	80.00	12.54	85.10
% Growth	538%	-85%	-74%
Net Income Margin	6%	1%	6%

Earnings per share	FY 2022	FY 2021	FY 2020
Earnings per share	0.34	0.05	0.30

Milling Recovery	FY 2022	FY 2021	FY 2020
Milling recovery (Lkg/TC)	1.607	1.366	1.610

FY 2022 Review of Operations

Revenues

REVENUES In Million Pesos	2022	2021	2020	Growth %	
				2022 vs 2021	2020vs 2021
Sugar	484.8	409.8	492.0	18%	-17%
Tolling of Refined Sugar	130.1	141.5	173.1	-8%	-18%
Molasses	63.6	121.5	2.5	-48%	4855%
Alcohol	371.5	342.0	446.6	9%	-23%
Carbon Dioxide	15.6	17.1	14.5	-9%	18%
Service Income - Milling Fee	322.7	289.3	352.5	12%	-18%
Industrial services	47.3	42.4	44.5	12%	-5%
Real estate sale		5.1	.0	-100%	0%
TOTAL	**1,435.6**	**1,368.6**	**1,525.7**	**5%**	**-10%**

For the Fiscal Year 2021-2022, the gross revenues from the sale of products and services amounted to ₱1,435.6M, higher by ₱67.0M as compared to last year's ₱1,368.6M. While there is a significant drop in tonnage experienced this year from 466,737 down to 352,374 tons cane, the high sugar composite price, as well as the higher recovery rate of 1.61LKgTC, an improvement of 18% from last year's plays an integral part to the increase in sugar revenue.

- Sugar sales grew by ₱75.0M from last year's ₱409.8 due to the favorable increase in sugar composite price.
- Lower volume of raw sugar available for refining triggered the reduction in tolling revenues by 8% from 582,643 bags down to 533,773 bags.
- Molasses sales went down as the company opted to convert most of its molasses into alcohol.
- Alcohol sales showed an increment of ₱29.5M driven by the increase in volume from current's year production and inventory carry-over from last year.
- Sustained volume in carbon dioxide sales over the past three years is due to the sale of food-grade, ISO-certified CO2 to the beverage market.
- A steady revenue growth in the water and locator fees of the Subsidiary Company posted an increase of 12%.

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Cost of Goods Sold & Milling Services

Cost of goods sold reduced to ₱1,011.0M from last year's ₱1,061.3M or 5%. The following table summarizes the breakdown of cost of goods sold:

COST OF GOODS SOLD AND MILLING SERVICES *In Million Pesos*	2022	2021	2020	Growth %	
				2022vs 2022	2021 vs 2020
Salaries, wages bonuses and other benefits	83.0	84.7	78.8	-2%	7%
Repairs & Maintenance	31.0	47.1	49.4	-34%	-5%
Inventory cost,spare parts and supplies	721.5	704.9	755.8	2%	-7%
Depreciation and amortization	74.3	96.2	116.2	-23%	-17%
Freight and transportation	32.4	39.1	32.5	-17%	20%
Security and outside services	38.2	44.1	42.9	-13%	3%
Power and steam	4.2	14.6	17.2	-71%	-15%
Insurance	4.6	4.6	4.9	-1%	-4%
Taxes and licenses	7.3	9.3	3.2	-22%	192%
Others	14.5	16.7	16.9	-14%	-1%
TOTAL	**1,011.0**	**1,061.3**	**1,117.8**	**-5%**	**-5%**

- Repairs and maintenance dipped by 34% from last year's ₱47.1M due to managed and improved repair & maintenance program and lesser equipment downtime.
- Depreciation went down due to attainment of full depreciable life of the assets and steady CAPEX acquisition.
- Freight & transportation is reduced by ₱6.7M or 17% due to lower volume of cane milled associated with trucking and hauling subsidies provided to planters.
- Security and outside services dropped by ₱5.9M or 13% due to the rationalization of security requirements in the Company's facilities.
- Power and steam consumed in the production consequently went down by ₱10.3M attributable to shorter milling season.
- Taxes and licenses decreased by ₱2.0M or 22% as a result of lower allocation of Input tax to VAT exempt sales.

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Cost of Tolling Services

Cost of tolling moderately decreased by ₱2.3M or 2% this year from ₱95.5M to ₱93.2M. The table summarizes the breakdown of cost of tolling:

COST OF TOLLING SERVICES *In Million Pesos*	2022	2021	2020	Growth %	
				2022vs 2022	2021 vs 2020
Salaries, wages bonuses and other benefits	10.9	11.2	11.0	-2%	1%
Repairs & Maintenance	9.6	9.6	9.7	1%	-1%
Spare parts and supplies	10.5	9.8	8.5	7%	15%
Depreciation and amortization	6.2	6.8	8.1	-9%	-17%
Freight and transportation	5.3	5.5	6.1	-3%	-10%
Security and outside services	3.2	2.7	2.8	17%	0%
Power and steam	43.2	45.9	49.5	-6%	-7%
Insurance	.5	.6	.6	-10%	-6%
Taxes and licenses	3.1	2.8	2.5	11%	9%
Others	.7	.8	1.1	-5%	-28%
TOTAL	**93.2**	**95.5**	**99.9**	**-2%**	**-4%**

- Spare parts and supplies increased due to high prices of chemicals used in refining.
- Fully depreciated assets and stable spending in CAPEX brought down the depreciation expense by ₱.6M this year as compared to last year's ₱6.8M.
- Power and steam account went down by ₱2.7M from last year's total of ₱45.9M as a function of lower power consumption in the Refinery Operations brought by lesser volume of sugar available for refinement.
- Efficient handling and movement of refined sugar caused the freight and transportation account to drop, totaling the expenditure to ₱5.3M this year.

Cost of Industrial Services

Cost of industrial services rose by ₱2.7M or 12% from last year's ₱23.1M to ₱25.9M. The table below summarizes the breakdown of operating expenses.

COST OF INDUSTRIAL SERVICES *In Million Pesos*	2022	2021	2020	Growth %	
				2022vs 2022	2021 vs 2020
Salaries, wages bonuses and other benefits	.3	.3	.3	2%	-5%
Service Cost	5.2	6.8	4.2	-24%	63%
Repairs & Maintenance	1.8	1.1	.9	66%	23%
Materials	1.4	2.2	1.2	-38%	83%
Depreciation and amortization	3.2	2.2	2.2	46%	2%
Security and outside services	4.3	4.1	3.7	4%	12%
Retirement				0%	0%
Utilities	8.2	5.3	5.1	53%	4%
Rental expense	.2	.2	.0	0%	0%
Professional fee	.2	.2	.2	15%	-16%
Taxes and licenses	.3	.4	.3	-14%	29%
Others	.8	.2	.2	216%	21%
TOTAL	**25.9**	**23.1**	**18.3**	**12%**	**26%**

- Service cost dropped by ₱1.6M from last year's ₱6.2M as the manpower billing from the service provider stabilizes.
- Repairs and maintenance went up from ₱1.1M to ₱1.8M or 66% due to dredging of LIP Ungot & Bojo creek.
- Materials is slightly down by ₱.8M from last year's total of ₱2.2M as a result of lesser applications for water service connections in Bantog and Asturias.
- Depreciation increased by ₱1.0M or 46% corresponding to the acquisition of assets for the expansion of water concessionaire's operations.
- Utilities grew by 53% ₱2.8M due to the increase in power rate brought by the high fuel prices.

Operating Expenses

Operating expenses grew by ₱11.3M or 10% from last year's ₱109.5M to ₱120.8M. The table below summarizes the breakdown of operating expenses:

OPERATING EXPENSES *In Million Pesos*	**2022**	**2021**	**2020**	**Growth %**	
				2022vs 2022	**2021 vs 2020**
Salaries, wages bonuses and other benefits	30.3	32.7	39.1	-7%	-16%
Repairs & Maintenance	3.5	3.6	3.5	-3%	3%
Management fees and bonuses	.2	.2	.2	14%	-5%
Taxes and licenses	14.5	8.7	15.8	67%	-45%
Depreciation and amortization	9.2	9.0	11.8	3%	-24%
Transportation and travel	8.6	6.9	7.2	23%	-4%
Security and outside services	5.8	7.0	7.2	-17%	-4%
Rentals	3.9	4.9	3.1	-20%	56%
Light and water	2.0	1.4	1.6	44%	-13%
Entertainment, amusement and recreation	2.9	.9	10.5	203%	-91%
Professional fees	30.1	26.3	29.8	15%	-12%
Dues and advertisements	1.4	1.5	1.7	-2%	-14%
Postage, telephone and telegram	.3	.3	2.1	8%	-86%
Bank Charges	.0	.0	.3	2026%	-99%
Provision for doubtful accounts	1.0	.0	.0	0%	0%
Others	7.0	6.2	8.0	13%	-23%
TOTAL	**120.8**	**109.5**	**141.9**	**10%**	**-23%**

- Salaries and wages went down by 7% from last year's ₱32.7M due to the retirement of directly hired employees.
- Taxes and licenses increased by ₱5.8M or 67% due to DST payments in relation to short-term loan renewal.
- Transportation and travel up by 23% or ₱1.6M mainly because of the constant fuel price hikes.
- Security and outside services slightly dropped by ₱1.1M or 17% due to the rationalization of security requirements in the Company's facilities.
- Entertainment, amusement and recreation grew by ₱1.9M as the Company streamlined non-operating costs to preserve profitability margin.
- Professional fees went up by 15% from last year's P26.3M due payments to legal services related to clean up of Lot tittles.

Balance Sheet Accounts

The table below presents the Balance Sheet Statements of the Company as of fiscal years dated June 30, 2022, 2021 and 2020.

(In Million Pesos)	FY 2022		FY 2021		FY 2020		GROWTH	
	AMT	%	AMT	%	AMT	%	AMT	%
ASSETS								
Current Assets								
Cash and cash equivalents	169.77	3%	107.42	2%	261.26	4%	62.35	58%
Receivables	1,341.41	23%	1,052.70	18%	881.38	15%	288.71	27%
Inventories	243.02	4%	321.23	5%	237.08	4%	-78.21	-24%
Real estate held for sale and development	988.49	17%	988.49	17%	988.49	17%	.00	0%
Other current assets	309.87	5%	770.88	13%	206.64	3%	-461.01	-60%
	3,052.57	**52%**	**3,240.73**	**55%**	**2,574.86**	**43%**	**-188.16**	**-6%**
Non-current Assets								
AFS financial assets	147.16	3%	145.80	2%	112.68	2%	1.36	1%
Property, plant and equipment								
Land- at revalued amount	1,044.98	18%	996.79	17%	996.79	17%	48.19	5%
Property and equipment- at cost	452.63	8%	448.32	8%	501.20	8%	4.30	1%
Investment property	456.84	8%	437.26	7%	437.26	7%	19.58	4%
Goodwill	502.42	9%	502.42	9%	502.42	8%	.00	0%
Other non-current assets	196.79	3%	163.37	3%	233.11	4%	33.42	20%
Total Non Current Assets	**2,800.81**	**48%**	**2,693.97**	**46%**	**2,783.46**	**47%**	**106.85**	**4%**
TOTAL ASSETS	**5,853.39**	**100%**	**5,934.70**	**101%**	**5,358.32**	**90%**	**-81.31**	**-1%**
LIABILITIES AND EQUITY								
Current Liabilities								
Trade and other liabilities	453.47	8%	599.71	10%	461.73	8%	-146.25	-24%
Short-term notes payable	1,000.80	17%	1,008.36	17%	1,007.84	17%	-7.56	-1%
Current portion of notes payable	105.87	2%	87.41	1%	.00	0%	18.47	21%
Deposits	17.61	0%	16.07	0%	14.24	0%	1.54	10%
Income tax payable	.00	0%		0%	17.04	0%	.00	100%
Other current liabilities	19.23	0%	11.62	0%	14.92	0%	7.61	100%
Total Current Liabilities	**1,596.98**	**27%**	**1,723.17**	**29%**	**1,515.78**	**26%**	**-126.19**	**-7%**
Non-current liabilites								
Notes payable- net of current portion	659.89	11%	770.85	13%		0%	-110.97	-14%
Retirement liability	20.93	0%	7.21	0%	22.35	0%	13.72	190%
Deferred tax liability	338.07	6%	317.69	5%	375.44	6%	20.38	6%
Other noncurrent liabilities	20.01	0%	8.94	0%	3.81	0%	11.07	124%
Total Non Current Liabilities	**1,038.89**	**18%**	**1,104.69**	**19%**	**401.60**	**7%**	**-65.80**	**-6%**
Equity								
Capital stock	282.55	5%	282.55	5%	282.55	5%	.00	0%
Retained earnings (deficit)	2,293.91	39%	2,213.92	38%	2,633.08	44%	80.00	4%
Revaluation increment	975.01	17%	938.87	16%	889.43	15%	36.14	4%
Remeasurement gain/(loss) on defined benefit liab	-67.35	-1%	-60.74	-1%	-68.21	-1%	-6.61	11%
Unrealized cumulative gain on AFS financial assets	102.48	2%	101.33	2%	73.17	1%	1.15	1%
Less cost of 44,049,120 shares of stock in treasury	-369.08	-6%	-369.08	-6%	-369.08	-6%	.00	0%
Total Equity	**3,217.52**	**55%**	**3,106.83**	**53%**	**3,440.94**	**58%**	**110.68**	**4%**
TOTAL LIABILITIES AND EQUITY	**5,853.39**	**100%**	**5,934.70**	**101%**	**5,358.32**	**90%**	**-81.31**	**-1%**

Cash

The increase in cash by ₱62.35M or 58% is due from net cash provided by operating activities of ₱201.7M, net cash from investing activities of ₱53.1M and net cash used in financing activities by ₱192.6M.

Receivables

The increment in receivables by ₱288.7M or 27% from ₱1,052.7.4M to ₱1,341.1M is due to the advances made to affiliated companies.

Inventories

The reduction in Inventory of 24% or from last year's balance of ₱321.23M is brought about by the unloading of inventory for alcohol sales.

Other current assets

The significant drop of ₱461.0M or 60% in other current assets is a result of the reclassification of refundable deposits account to due from related party, this amount refers to the deposit made by the company to CRAHI as consideration for the grant of exclusivity to acquire parcels of land.

Other non-current assets

Other non-current assets grew by ₱33.4M or 20% from ₱163.3M to ₱196.7M as there are additional advances to supplier for the cost incurred in land preparation, planting and harvesting.

Trade and other payables

Trade and other payables significantly decreased by ₱146.2M or 24% from ₱599.7M to ₱453.7M due to strategic settlement of obligations.

Other non-current liabilities

Other non-current liabilities upturn of ₱11.7M or 124 % from last year's balance of ₱8.9M is due to the additional lease facility acquired from the bank for the acquisition of new equipment.

Total Stockholders' Equity

The net increase in Stockholders' Equity of ₱110.6M or 4% is brought about by the reported consolidated net income of ₱80.0M, revaluation increment of ₱36.1M and unrealized cumulative gain on AFS financial assets of ₱1.1M

FY 2021 Review of Operations

Revenues

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 CO2 to the beverage market.

Cost of Goods Sold & Milling Services

Cost of goods sold reduced to ₱1,061.3M from last year's ₱1,117.8M or 5%.

- 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.

- 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.

- 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.

Operating Expenses

Operating expenses significantly diminished by ₱32.4M or 23% from last year's ₱141.9M to ₱109.5M.

- 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.

Balance Sheet Accounts

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.

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 2022	FY 2021
Current ratio	1.91	1.88
Asset-to-equity ratio	1.82	1.91
Debt-to-equity ratio	0.70	0.80
Debt Service Coverage Ratio	0.24	0.17

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 2022 and 2021.

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 25, 2022 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 57, 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 60, 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 61, 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 60, 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 61, 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 76, 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 69, 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 54, 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 62, 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 59, 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, VP – Operations and Resident Manager and Mr. Kevin Patrick Peñalba, 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, 2022 and June 30, 2021, 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 00 for the fiscal years June 30, 2022, 2021 and 2020.

FY 2021-2022						
Name	**Position**	**Salary & Professional fees**	**Bonus**	**Transportation**	**Per Diem**	**Total**
July 1, 2021 - June 30, 2022		₱18,057,440	₱1,607,130	₱1,788,299	₱240,000	₱21,692,869
Martin Ignacio P. Lorenzo	Chairman of the Board & CEO					
Fernando Ignacio C. Cojuangco	President & COO					
Marco P Lorenzo	Director					
Cecile D. Macaalay	Chief Finance Officer					
Marcelo P. Karaan II	VP for Human Resources					
All Other Officers & Directors as a group						
TOTAL		**₱18,057,440**	**₱1,607,130**	**₱1,788,299**	**₱240,000**	**₱21,692,869**

FY 2020-2021						
Name	**Position**	**Salary & Professional fees**	**Bonus**	**Transportation**	**Per Diem**	**Total**
July 1, 2020 - June 30, 2021		₱17,610,304	₱994,465	₱1,572,387	₱199,500	₱20,376,656
Martin Ignacio P. Lorenzo	Chairman of the Board & CEO					
Fernando Ignacio C. Cojuangco	President & COO					
Marco P Lorenzo	Director					
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**

<table>
<tr><th colspan="7">FY 2019-2020</th></tr>
<tr><th>Name</th><th>Position</th><th>Salary & Professional fees</th><th>Bonus</th><th>Transportation</th><th>Per Diem</th><th>Total</th></tr>
<tr><td colspan="2">July 1, 2019 - June 30, 2020</td><td rowspan="7">₱17,560,647</td><td rowspan="7">₱6,960,859</td><td rowspan="7">₱1,784,659</td><td rowspan="7">₱220,000</td><td rowspan="7">₱26,526,165</td></tr>
<tr><td>Martin Ignacio P. Lorenzo</td><td>Chairman of the Board & CEO</td></tr>
<tr><td>Fernando Ignacio C. Cojuangco</td><td>President & COO</td></tr>
<tr><td>Marco P Lorenzo</td><td>Director</td></tr>
<tr><td>Cecile D. Macaalay</td><td>Chief Finance Officer</td></tr>
<tr><td>Marcelo P. Karaan II</td><td>VP for Human Resources</td></tr>
<tr><td>All Other Officers & Directors as a group</td><td></td></tr>
<tr><td>TOTAL</td><td></td><td>₱17,560,647</td><td>₱6,960,859</td><td>₱1,784,659</td><td>₱220,000</td><td>₱26,526,165</td></tr>
</table>

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, 2022.

<table>
<tr><th>Title of Class</th><th>Name</th><th>Number of Shares Held</th><th>Name of Beneficial Ownership</th><th>Citizenship</th><th>%</th></tr>
<tr><td>Common Shares</td><td>PCD Nominee Corporation*</td><td>225,831,185</td><td>PCD Nominee Corporation</td><td>Various</td><td>94.7%</td></tr>
<tr><td colspan="6">*Beneficial ownership through PCD Nominee Corporation</td></tr>
<tr><td>Common Shares</td><td>CAT Resource & Asset Holdings Inc.</td><td rowspan="2">201,718,140</td><td>Martin P. Lorenzo
102,876,250 shares</td><td>Filipino</td><td rowspan="2">84.6%</td></tr>
<tr><td></td><td></td><td>Fernando C. Cojuangco
98,841,890 shares</td><td>Filipino</td></tr>
</table>

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Security Ownership of Management

The following table identifies the security ownership of Management as of June 30, 2022.

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	5000	Direct	Filipino	0%
Common					
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 _____________ 2022:

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

OCT 12 2022

SUBSCRIBED AND SWORN to before me this day of ___________ 2022 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	P7443057B	Aug. 19, 2031
Janette L. Pena	P5811162A	Jan. 28, 2028
Cecile D. Macaalay	P8266279B	Nov. 23, 2031
Lora May M. Cada	P7254581A	May 21, 2028

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Page No. 66
Book No. I
Series of 2022

MARIA KEALA M. BLEZA
NOTARY PUBLIC
ROLL NO. 62940
MAKATI CITY PHILIPPINES

ATTY. MARIA KEALA MAE M. BLEZA
Notary Public
Appointment No. M-329 / Until December 31, 2022
5th Floor Jose Cojuangco & Sons Bldg.
119 Dela Rosa St. corner C. Palanca St.
Legaspi Village, Makati City
PTR No. 8534715 / 01.05.21 / Makati City
IBP No. 134998 / 12.15.20 / Makati City
Roll No. 62940
MCLE Compliance No. VI-0015888

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

P W 0 0 0 0 0 7 2 7

COMPANY NAME

CENTRAL AZUCARERA DE TARLAC, INC. AND SUBSIDIARY

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

SAN MIGUEL, TARLAC CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS	CRMD	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)
393	Last Tuesday of January	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
LT DOCUMENT PROCESSING
& QUALITY ASSURANCE DIVISION
RECEIVED
OCT 17 2022
ROSE MARCIANO

Central Azucarera de Tarlac, Inc.

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, 2022 and 2021 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 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.

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.

BUREAU OF INTERNAL REVENUE
LT DOCUMENT PROCESSING
& QUALITY ASSURANCE DIVISION
RECEIVED
OCT 17 2022
ROSE MARCIANO

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its 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 12 2022 2022 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	P7443057B	Aug. 19, 2031
Cecile D. Macaalay	P8266279B	Nov. 23, 2031

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MARIA KEALA M. BLEZA
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ROLL NO. 62940
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ATTY. MARIA KEALA MAE M. BLEZA
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Appointment No. M-329 / Until December 31, 2022
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IBP No. 134998 / 12.15.20 / Makati City
Roll No. 62940
MCLE Compliance No. VI-0015888

SGV
Building a better working world

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

BUREAU OF INTERNAL REVENUE
LT-DOCUMENT PROCESSING
QUALITY ASSURANCE DIVISION
RECEIVED
OCT 17 2022
ROSE MARCIANO

The Stockholders and the Board of Directors
Central Azucarera de Tarlac, Inc.
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, 2022 and 2021, 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, 2022, 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, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended June 30, 2022 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 25.66% of the total consolidated assets of the Group as at June 30, 2022. 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 reviewed 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, 2022, the Group's goodwill attributable to its investment in Luisita Land Corporation (LLC) amounted to ₱502.4 million, which is net of ₱199.7 million impairment. 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 reviewing certain assumptions used in determining the recoverable amount. 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.

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, 2022, 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, 2022 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.

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.

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

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

SYCIP GORRES VELAYO & CO.

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. 90349-SEC (Group A)
Valid to cover audit of 2022 to 2026 financial statements of SEC covered institutions
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. 8854348, January 3, 2022, Makati City

October 4, 2022

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

	June 30	
	2022	2021
ASSETS		
Current Assets		
Cash (Note 5)	**₱169,773,859**	₱107,420,809
Receivables (Note 6)	**1,341,412,307**	1,052,698,158
Real estate held for sale and development (Note 8)	**988,494,373**	988,494,373
Inventories (Note 7)	**243,021,275**	321,234,588
Other current assets (Note 9)	**309,870,655**	770,883,845
Total Current Assets	**3,052,572,469**	3,240,731,773
Noncurrent Assets		
Financial assets at fair value through other comprehensive income (FVOCI) (Note 11)	**147,157,180**	145,800,368
Property, plant and equipment:		
Land - at revalued amount (Note 13)	**1,044,982,955**	996,790,400
Property, plant and equipment - at cost (Note 12)	**452,626,257**	448,321,729
Goodwill - net (Note 10)	**502,418,570**	502,418,570
Investment property (Note 13)	**456,842,820**	437,264,080
Deferred income tax assets - net (Note 24)	**1,040,447**	1,120,398
Other noncurrent assets (Note 14)	**195,746,166**	162,249,526
Total Noncurrent Assets	**2,800,814,395**	2,693,965,071
TOTAL ASSETS	**₱5,853,386,864**	₱5,934,696,844
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 15)	**₱453,466,306**	₱599,712,049
Short-term notes payable (Note 16)	**1,000,799,372**	1,008,355,213
Current portion of notes payable (Note 16)	**105,872,300**	87,406,692
Other current liabilities (Note 25)	**36,839,461**	27,695,984
Total Current Liabilities	**1,596,977,439**	1,723,169,938
Noncurrent Liabilities		
Notes payable - net of current portion (Note 16)	**659,886,745**	770,852,352
Deferred income tax liabilities - net (Note 24)	**338,073,830**	317,694,327
Retirement plan obligation (Note 22)	**20,925,198**	7,206,059
Other noncurrent liabilities (Note 25)	**20,005,560**	8,939,610
Total Noncurrent Liabilities	**1,038,891,333**	1,104,692,348
Total Liabilities	**2,635,868,772**	2,827,862,286
Equity		
Capital stock (Note 26)	**282,545,960**	282,545,960
Retained earnings (Note 26)	**2,293,911,806**	2,213,916,288
Revaluation increment (Note 13)	**975,011,171**	938,866,755
Remeasurement losses on retirement plan (Note 22)	**(67,351,272)**	(60,741,582)
Unrealized cumulative gains on financial assets at FVOCI (Note 11)	**102,478,917**	101,325,627
	3,586,596,582	3,475,913,048
Treasury stock (Note 26)	**(369,078,490)**	(369,078,490)
Total Equity	**3,217,518,092**	3,106,834,558
TOTAL LIABILITIES AND EQUITY	**₱5,853,386,864**	₱5,934,696,844

See accompanying Notes to Consolidated Financial Statements.

BUREAU OF INTERNAL REVENUE
LT DOCUMENT PROCESSING
& QUALITY ASSURANCE DIVISION
RECEIVED
OCT 17 2022
ROSE MARCIANO

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

	Years Ended June 30		
	2022	2021	2020
REVENUES			
Sale of sugar and by-products	**₱935,579,039**	₱890,407,749	₱955,589,931
Milling income	**322,671,201**	289,298,312	352,498,567
Tolling fees	**130,060,034**	141,486,811	173,108,091
Industrial services	**47,339,649**	42,359,965	44,456,920
Real estate sale	–	5,061,155	–
	1,435,649,923	1,368,613,992	1,525,653,509
COST OF GOODS SOLD AND SERVICES			
Cost of goods sold and milling and tolling services (Note 17)	**1,104,154,251**	1,156,798,215	1,217,664,884
Cost of industrial services (Note 18)	**25,894,544**	23,116,519	18,309,486
Cost of real estate sale	–	1	–
	1,130,048,795	1,179,914,735	1,235,974,370
GROSS INCOME	**305,601,128**	188,699,257	289,679,139
OPERATING EXPENSES (Note 19)	**(120,798,499)**	(109,499,358)	(141,884,874)
OTHER INCOME (EXPENSE)			
Fair value gain on investment property	**19,578,740**	–	–
Interest income (Notes 5, 6 and 23)	**4,728,673**	4,612,476	24,745,714
Interest expense (Note 16)	**(110,068,849)**	(101,562,473)	(66,648,750)
Other income - net (Notes 10, 13 and 21)	**1,422,759**	9,976,299	22,578,458
INCOME (LOSS) BEFORE INCOME TAX	**100,463,952**	(7,773,799)	128,469,687
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 24)			
Current	**10,057,412**	2,834,578	38,099,061
Deferred	**10,411,022**	(23,143,842)	5,272,539
	20,468,434	(20,309,264)	43,371,600
NET INCOME	**₱79,995,518**	₱12,535,465	₱85,098,087
Basic/diluted earnings per share (Note 26)	**₱0.335**	₱0.053	₱0.316

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended June 30		
	2022	2021	2020
NET INCOME	**₱79,995,518**	₱12,535,465	₱85,098,087
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will not be reclassified to profit or loss - net of income tax effect:			
Revaluation increase on land under property, plant and equipment (Note 13)	**36,144,416**	49,435,541	–
Remeasurement gains (losses) on retirement plan (Note 22)	**(6,609,690)**	7,465,671	(288,595,454)
Unrealized gains (losses) on financial assets at FVOCI (Note 11)	**1,153,290**	28,153,588	(5,156,161)
	30,688,016	85,054,800	(293,751,615)
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱110,683,534**	₱97,590,265	(₱208,653,528)

See accompanying Notes to Consolidated Financial Statements.

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, 2022

	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	₱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
Total comprehensive income (loss)	–	79,995,518	–	79,995,518	36,144,416	(6,609,690)	1,153,290	–	110,683,534
Balances at June 30, 2022	₱282,545,960	₱793,911,806	₱1,500,000,000	₱2,293,911,806	₱975,011,171	(₱67,351,272)	₱102,478,917	(₱369,078,490)	₱3,217,518,092

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended June 30		
	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**₱100,463,952**	(₱7,773,799)	₱128,469,687
Adjustments for:			
Interest expense (Note 16)	**110,068,849**	101,562,473	66,648,750
Depreciation and amortization (Notes 12, 17, 18, 19 and 20)	**92,956,760**	114,189,007	138,224,895
Net retirement loss (income) (Notes 20, 21 and 22)	**4,906,218**	7,582,923	(11,885,835)
Provision for inventory losses (Notes 3 and 7)	**1,537,840**	–	623,111
Provision for credit losses (Notes 3 and 6)	**1,004,436**	–	13,110,210
Fair value gain on investment property (Note 13)	**(19,578,740)**	–	–
Interest income (Notes 5, 6 and 23)	**(4,728,673)**	(4,612,476)	(24,745,714)
Net unrealized foreign exchange losses (gains)	**(125,148)**	54,189	23,430
Gains on reversal of provision for credit losses (Notes 3 and 6)	–	(9,442)	(123,654)
Loss on disposal of property, plant and equipment	–	23,320	–
Operating income before working capital changes	**286,505,494**	211,016,195	310,344,880
Decrease (increase) in:			
Receivables	**51,138,353**	13,076,395	12,075,594
Real estate held for sale and development	–	1	–
Inventories	**76,675,473**	(84,159,300)	(68,735,964)
Other current assets	**(42,044,220)**	(72,530,515)	(62,970,250)
Increase (decrease) in:			
Trade and other payables	**(144,823,170)**	109,225,636	96,843,449
Deposits	**1,537,728**	1,838,068	2,287,130
Net cash generated from operations	**228,989,658**	178,466,480	289,844,839
Income tax paid	–	(18,588,916)	(21,380,313)
Net cash provided by operating activities	**228,989,658**	159,877,564	268,464,526
CASH FLOWS FROM INVESTING ACTIVITIES			
Net changes in accounts with related parties (Note 23)	**162,497,014**	(128,063,935)	(226,754,797)
Interest received	**165,458**	283,590	89,024
Additions to property, plant and equipment (Note 12)	**(97,261,288)**	(61,335,084)	(78,830,354)
Decrease in other noncurrent assets	**(33,496,640)**	9,771,432	147,041,457
Refundable deposit to a related party (Notes 9 and 23)	–	(493,000,000)	–
Net cash flows from (used in) investing activities	**31,904,544**	(672,343,997)	(158,454,670)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (decrease) in other noncurrent liabilities	**11,065,950**	(2,234,467)	(13,446,644)
Payments of:			
Notes payable	**(92,450,091)**	(46,250,000)	(791,189)
Interest	**(111,001,775)**	(86,322,994)	(63,095,531)
Transaction costs (Note 16)	**(5,093,308)**	(23,838,834)	–
Dividends (Note 26)	**(1,187,076)**	(407,676,837)	–
Net availment of short-term notes payable (Note 16)	–	–	15,000,000
Proceeds from long-term notes payable (Note 16)	–	925,000,000	–
Net cash flows from (used in) financing activities	**(198,666,300)**	358,676,868	(62,333,364)
NET INCREASE (DECREASE) IN CASH	**62,227,902**	(153,789,565)	47,676,492
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**125,148**	(54,189)	(23,430)
CASH AT BEGINNING OF YEAR	**107,420,809**	261,264,563	213,611,501
CASH AT END OF YEAR (Note 5)	**₱169,773,859**	₱107,420,809	₱261,264,563

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, 2022 and 2021, 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, 2022 were authorized for issue in accordance with a resolution by the Board of Directors (BOD) on October 4, 2022.

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 amendments to existing standards effective as at July 1, 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The adoption of the following amended standards did not have any significant impact on the consolidated financial statements:

- Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond June 30, 2021*

  The amendment provides 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, 2022; 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.

- Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

  The Group shall also disclose information about:

  - The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
  - Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

Summary of Significant Accounting Policies

Current versus Noncurrent Classification

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.

Determination of Fair Value

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.

<u>Cash</u>
Cash includes cash on hand and in banks.

<u>Financial Assets</u>
Initial Recognition and Measurement
Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, at FVOCI and at 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 debt 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 measured at amortized cost
- financial assets measured at FVTPL
- financial assets measured at FVOCI, where cumulative gains or losses previously recognized are reclassified to consolidated statement of income (debt instruments); and
- financial assets measured at FVOCI, where cumulative gains or losses previously recognized are not reclassified to consolidated statement of income (equity instruments).

Financial assets at amortized cost
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, 2022 and 2021 consist of "Cash", "Receivables" and long-term receivables lodged under "Other noncurrent assets" account in the consolidated balance sheets. 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 (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (ii) 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 is reclassified from equity to profit or loss. This reflects the gain or loss that would have been recognized in profit or loss 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 profit or loss. 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.

The Group's financial assets at FVOCI as at June 30, 2022 and 2021 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, 2022 and 2021.

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.

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

The Group triggers its 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.

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".

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

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the consolidated statement of income. This category generally applies to interest-bearing loans and borrowings.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as 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

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realizable value (NRV).

Cost includes:

- land cost;
- amounts paid to contractors for construction; and
- planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated costs of completion and the estimated costs of sale.

The cost of real estate property sold before completion of the development is determined based on the actual costs incurred to date plus estimated costs to complete the development of the property.

Advances to Supplier for Goods and Services

Advances to suppliers represent advance payment on goods or services to be purchased in connection with the Groups' 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.

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
Furniture, fixtures and equipment	2-10 years
Transportation equipment	2-25 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 investment property when, and only when, there is a change in use evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development with a view to sale. For a transfer from investment property to owner-occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

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.

Right-of-use (ROU) Assets
The Group recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated amortization and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term. ROU assets are subject to impairment.

Depreciation and amortization is computed using the straight-line basis over the estimated useful lives of the assets, while leasehold improvements and ROU assets are amortized over their estimated useful lives or the term of the lease, whichever is shorter.

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 ROU assets representing the right to use the underlying assets.

Lease Liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate (IBR) at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

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.

Equity
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 Stock
The Group's capital stocks which are reacquired (treasury stocks) 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.

Revenue Recognition
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.

Expenses
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 liabilities for the current and prior periods are measured at the amount expected to be paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that have been 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:

- where 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 income nor taxable income or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, 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 net operating loss carryover (NOLCO) and tax credits from excess minimum corporate income tax (MCIT) to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused NOLCO and unused tax credits from excess MCIT can be utilized, except:

- where 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 income nor taxable income or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, 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 taxable profit 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 taxable profit will be available to allow all or part of the deferred income tax assets to be utilized in the future. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred income tax asset to be recovered.

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

Deferred income tax relating to items recognized in other comprehensive income is recognized in OCI.

Deferred income tax assets and liabilities are offset, if and only if, a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, which intend to either settle current income tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred income tax assets or liabilities are expected to be settled or recovered.

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.