

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.

Cash

Cash includes cash on hand and in banks.

Financial Assets

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:

<u>Category</u>	<u>Number of years</u>
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.



Borrowing Costs

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

Segment Information

For management reporting purposes, the Group is organized and managed separately according to the nature of the business. These operating businesses are the basis upon which the Group reports its segment information presented in Note 4 to the consolidated financial statements.

An operating segment is a component of an entity:

- (a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- (b) with operating results regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance; and
- (c) for which discrete financial information is available.

Earnings Per Share (EPS)

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

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

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

Provisions

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

Contingencies

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



Events after the Reporting Date

Post year-end events that provide additional information about the Group's financial position at the reporting period (adjusting events), if any, are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to June 30, 2022

The Group will adopt the standards enumerated below when these become effective. The Group does not expect the adoption of these new and amended PFRSs and PAS to have significant impact on the consolidated financial statements.

Effective Beginning on or After July 1, 2022

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

Effective Beginning on or After July 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

Effective Beginning on or after July 1, 2024

- *Amendments to PAS 1, Classification of Liabilities as Current or Non-current*

Effective Beginning on or after July 1, 2025

- *PFRS 17, Insurance Contracts*

Deferred Effectivity

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

3. Summary of Significant Accounting Judgments, Estimates and Assumptions

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



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

Judgments

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

Revenue Recognition on Sale of Goods and Services

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

a. Existence of a Contract

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

b. Identifying Performance Obligation

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

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

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

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

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



Distinction Among Real Estate Inventories, Property, Plant and Equipment, and Investment Properties.

The Group determines whether properties are classified as real estate inventories, property, plant and equipment or investment properties:

- Real estate inventories comprise of properties that are held for sale in the ordinary course of business. These are parcels of land that the Group develops or intends to develop for future sale. Real estate inventories that are held for development pertain to the Group's strategic land banking activities for development or sale in the medium or long-term.
- Property, plant and equipment is held for use by, or in the supply of goods or services or for administrative purposes.
- Investment property comprises land which is not occupied for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily for capital appreciation.

Estimates and Assumptions

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

Allowance for ECL

The Group uses ECL in calculating its impairment. In the case of trade receivables, a provision matrix is established.

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

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

- *Stage 3 - Credit Impaired Financial Assets*

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

- *Inputs, Assumptions and Estimation Techniques in ECL Calculation*

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



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

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

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

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

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

Incorporation of Forward-looking Information

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

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

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

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

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

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

As at June 30, 2022 and 2021, the allowance for ECL on receivables amounted to ₱23.0 million and ₱22.0 million, respectively. The carrying amounts of receivables and long-term receivables as at June 30, 2022 and 2021 amounted to ₱1.5 billion and ₱1.2 billion, respectively (see Notes 6 and 14).



Allowance for Inventory Obsolescence

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

Provision for inventory obsolescence amounted to ₱1.5 million, nil and ₱0.6 million in 2022, 2021 and 2020, respectively (see Notes 7 and 17). No reversal of inventory obsolescence was made in 2022, 2021 and 2020. The carrying amounts of inventories as at June 30, 2022 and 2021 amounted to ₱243.0 million and ₱321.2 million, respectively (see Note 7). The allowance for inventory obsolescence as at June 30, 2022 and 2021 amounted to ₱7.4 million and ₱5.8 million, respectively.

NRV of Real Estate held for Sale and Development

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

There was no allowance for decline in real estate value in 2022 and 2021. The carrying amounts of real estate as at June 30, 2022 and 2021 amounted to ₱988.5 million (see Note 8).

Revalued Amount of Land under Property, Plant and Equipment and Fair Value of Investment Property

The Group has property, plant and equipment and investment property that are carried at revalued amount and fair value, respectively. These consist of land which is being valued by reference to market using comparable prices adjusted for specific market factors such as location and condition of the property. The Group engaged an external appraiser to determine the revalued amount and fair value as at June 30, 2022 and 2021.

The significant methods and assumptions used by the appraiser in estimating fair values of land are discussed in Note 27. The revalued amount of land under property, plant and equipment as at June 30, 2022 and 2021 amounted to ₱1.0 billion and ₱996.8 million, respectively (see Note 13). The fair value of land under investment property amounted to ₱456.8 million and ₱437.3 million as at June 30, 2022 and 2021, respectively (see Note 13).

Estimated Useful Lives of Property, Plant and Equipment

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

The carrying values of property, plant and equipment carried at cost as at June 30, 2022 and 2021 amounted to ₱452.6 million and ₱448.3 million, respectively (see Note 12).



Impairment of Nonfinancial Asset

The Group assesses whether there are any indicators of impairment for property plant and equipment, refundable deposits and advances whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

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

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

There were no provisions for impairment losses recognized in 2022, 2021 and 2020. The fair values of land under property plant and equipment as at June 30, 2022 and 2021 amounted to ₱1.0 billion and ₱996.8 million, respectively (see Note 13). The carrying amounts of property, plant and equipment carried at cost, refundable deposits, and advances are ₱1.2 billion as at June 30, 2022 and 2021, respectively (see Notes 12 and 23).

Estimating Impairment of Goodwill

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

The carrying amount of goodwill as at June 30, 2022 and 2021 amounted to ₱502.4 million. No impairment was recognized in 2022, 2021 and 2020 (see Note 10).

Deferred Income Tax Assets

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

The Group's deferred income tax assets as at June 30, 2022 and 2021 amounted to ₱33.0 million and ₱31.6 million, respectively (see Note 24).

Retirement Plan

The determination of the obligation and cost for retirement is dependent on the selection of certain assumptions determined by management and used by actuaries in calculating such amounts. These include discount rate, turnover rate, mortality rate, salary increase rate and future retirement benefits increase. Due to the complexity of the valuation, the underlying assumptions, and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement obligation. The assumptions used are disclosed in Note 22.



Retirement loss recognized in 2022 and 2021 amounted to ₱5.1 million and ₱7.6 million, respectively. The carrying amounts of the Group's retirement plan obligation amounted to ₱20.9 million and ₱7.2 million as at June 30, 2022 and 2021, respectively (see Note 22).

4. Segment Information

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

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

Sugar and by-products

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

Real estate and industrial services

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

2022

	Sugar and by-products	Real Estate and Industrial Services	Eliminations	Total
Revenues	₱1,388,310,274	₱47,339,649	₱-	₱1,435,649,923
Cost of goods sold and services	1,104,154,251	25,894,544	-	1,130,048,795
Gross income	284,156,023	21,445,105	-	305,601,128
Interest income	3,459,693	1,268,980	-	4,728,673
Operating expenses	(101,801,932)	(18,996,567)	-	(120,798,499)
Interest expense	(108,766,480)	(1,302,369)	-	(110,068,849)
Gain on revaluation of land	19,578,740	-	-	19,578,740
Other income - net	700,982	721,777	-	1,422,759
Segment income before income tax	₱97,327,026	₱3,136,926	₱-	100,463,952
Segment assets	₱6,025,766,447	₱846,335,789	(₱1,018,715,372)	₱5,853,386,864
Segment liabilities	₱2,525,955,592	₱1,694,012,188	(₱1,584,099,008)	₱2,635,868,772

2021

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



2020

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

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

5. Cash

	2022	2021
Cash in banks	₱168,346,152	₱105,839,593
Cash on hand	1,427,707	1,581,216
	₱169,773,859	₱107,420,809

Cash in banks earn interest at the respective bank deposit rates. Interest rates range from 0.05% to 2.10% per annum in 2022 and 2021, respectively.

Interest income earned from cash in banks amounted to ₱0.2 million, ₱0.3 million and ₱0.4 million in 2022, 2021 and 2020, respectively.

6. Receivables

	2022	2021
Trade	₱23,930,731	₱55,225,111
Nontrade:		
Due from related parties (see Note 23)	1,227,945,340	891,651,617
Current portion of long-term receivables (see Note 14)	16,519,849	56,122,219
Advances to:		
Luisita Golf and Country Club, Inc. (LGCCI)	25,709,492	10,745,294
Tarlac Development Corporation (TDC)	-	24,951,281
Planters' receivable	17,827,217	15,765,741
Notes receivable	-	4,039,751
Others	52,489,158	16,203,968
	1,364,421,787	1,074,704,982
Less allowance for ECL	23,009,480	22,006,824
	₱1,341,412,307	₱1,052,698,158



Trade receivables are noninterest-bearing and are generally on 30 to 60-day credit terms. Interest income earned amounted to 1.2 million, nil and nil in 2022, 2021 and 2020, respectively.

Notes receivable pertains to the loan agreement entered into in 2019 that are subject to 6.5% interest per annum. Interest income earned amounted to ₱0.3 million, ₱1.3 million and ₱1.2 million in 2022, 2021 and 2020, respectively.

Certain receivables from related parties are subject to interest at 4% to 10% per annum in 2022, 2021 and 2020 (see Note 23). Interest income earned from receivables from related parties amounted to ₱3.0 million, ₱2.9 million and ₱23.1 million in 2022, 2021 and 2020, respectively.

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

Movements in the allowance for ECL are summarized below:

2022

	Trade	Nontrade	Total
Balances at beginning of year	₱2,997,300	₱19,009,524	₱22,006,824
Provisions	1,004,436	-	1,004,436
Reversals	(1,780)	-	(1,780)
Balances at end of year	₱3,999,956	₱19,009,524	₱23,009,480

2021

	Trade	Nontrade	Total
Balances at beginning of year	₱3,006,742	₱19,009,524	₱22,016,266
Reversals	(9,442)	-	(9,442)
Balances at end of year	₱2,997,300	₱19,009,524	₱22,006,824

7. Inventories

	2022	2021
At cost:		
Alcohol	₱179,337,464	₱209,696,911
Molasses	2,013,930	68,669,347
At NRV:		
Spare parts and supplies	60,864,394	42,115,480
Raw sugar	805,487	752,850
	₱243,021,275	₱321,234,588

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

	2022	2021
Balances at beginning of year	₱5,835,166	₱5,835,166
Provision (see Note 17)	1,537,840	-
Balances at end of year	₱7,373,006	₱5,835,166



8. Real Estate Held for Sale and Development

	2022	2021
Land held for development	₱981,516,357	₱981,516,357
Land available for sale	6,978,016	6,978,016
	₱988,494,373	₱988,494,373

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

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

9. Other Current Assets

	2022	2021
Advances to suppliers for goods and services (see Note 14)	₱266,974,726	₱240,655,045
Prepaid tax	38,297,887	32,967,792
Prepaid insurance	1,535,371	815,217
Refundable deposits (see Note 23)	-	493,000,000
Others	3,062,671	3,445,791
	₱309,870,655	₱770,883,845

10. Goodwill - net

The Group performed its impairment review of goodwill as at June 30, 2022 and 2021. Based on the impairment review, the recoverable amount exceeded the carrying value of the CGU, including goodwill, thus, no impairment loss was recognized. The carrying amount of goodwill as of June 30, 2022 and 2021 amounted to ₱502.4 million, which is net of the allowance for impairment of ₱199.7 million.

CGU pertains to the net asset of LLC. Recoverable amount pertains to the CGU's value in use. Value in use was derived using cash flow projections based on financial budgets approved by senior management covering a five-year period. Cash flows beyond the five-year period are extrapolated using a 12.0% and 3.5% growth rate as at June 30, 2022 and 2021, respectively. Discount rate applied to the cash flow projections in determining value in use is 10.4% and 7.8% as at June 30, 2022 and 2021, respectively.

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

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



- b) Growth rate - The long-term rate used to extrapolate the budget for the investee company excludes expansions and possible acquisitions in the future. Management also recognizes the possibility of new entrants, which may have significant impact on existing growth rate assumptions. However, management believes that new entrants will not have a significant adverse impact on the forecast included in the budget.
- c) Selling price of LLC's real estate - The estimated selling price is based on current market price as adjusted to consider future development in the vicinity which will result to increased value of existing land once the sale is consummated.

Sensitivity to Changes in Assumptions

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

Significant Assumptions	2022	2021
Discount rates	31.90%	9.82%
Selling price	(56.53%)	(25.97%)

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

11. Financial assets at FVOCI

	2022	2021
Proprietary shares	₱146,500,000	₱145,250,000
Investment in shares of stock:		
Listed	495,180	388,368
Unlisted	162,000	162,000
	₱147,157,180	₱145,800,368

The movements in financial assets at FVOCI are as follows:

	2022	2021
Balances at beginning of year	₱145,800,368	₱112,678,500
Changes in the fair value	1,356,812	33,121,868
Balances at end of year	₱147,157,180	₱145,800,368

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

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

	2022	2021
Balances at beginning of year	₱101,325,627	₱73,172,039
Unrealized gains on financial assets at FVOCI	1,153,290	28,153,588
Balances at end of year	₱102,478,917	₱101,325,627



12. Property, Plant and Equipment - at cost

2022

	Machinery and equipment	Agricultural machinery and equipment	Buildings and improvements	Land Improvements	Furniture, fixtures and equipment	Transportation equipment	Communication and utility systems	Roads and bridges	Construction in progress	ROU Asset-Agricultural Equipment (see Note 25)	ROU Asset-Transportation Equipment (see Note 25)	Total
Cost:												
Balances at beginning of year	₱776,721,826	₱198,569,103	₱155,537,669	₱33,134,010	₱26,734,887	₱54,211,985	₱5,659,278	₱8,245,127	₱5,086,655	₱-	₱-	₱1,263,900,540
Additions	2,668,715	15,432,936	1,865,016	529,938	1,971,350	754,864	6,813	-	52,439,075	36,159,887	8,700,000	120,528,593
Retirement and write-off	(142,996)	(31,974,559)	(180,000)	-	(17,321)	(2,013,482)	(3,563)	-	-	-	-	(34,331,921)
Reclassifications	18,504,859	25,237,550	1,729,730	1,998,543	-	-	-	-	(47,470,683)	-	-	-
Balances at end of year	797,752,404	207,265,030	158,952,415	35,662,491	28,688,916	52,953,367	5,662,528	8,245,127	10,055,047	36,159,887	8,700,000	1,350,097,212
Accumulated depreciation and amortization:												
Balances at beginning of year	565,571,757	82,578,308	85,673,905	16,529,943	16,630,472	37,754,315	2,595,000	8,245,111	-	-	-	815,578,811
Depreciation and amortization (see Notes 17, 18, 19 and 20)	51,479,301	16,653,500	10,661,564	1,807,809	2,838,743	7,464,266	258,665	-	-	1,357,912	435,000	92,956,760
Retirement and write-off	(142,996)	(7,677,312)	(180,000)	-	(16,874)	(7,009)	(3,563)	-	-	-	-	(8,027,754)
Reclassifications and other adjustments	(2,992,742)	-	(28,565)	-	-	(4,895)	(10,660)	-	-	-	-	(3,036,862)
Balances at end of year	613,915,320	91,554,496	96,126,904	18,337,752	19,452,341	45,206,677	2,839,442	8,245,111	-	1,357,912	435,000	897,470,955
Net book values	₱183,837,084	₱115,710,535	₱62,825,512	₱17,324,739	₱9,236,574	₱7,746,690	₱2,823,086	₱16	₱10,055,047	₱34,801,975	₱8,625,000	₱452,626,257

2021

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

Property, plant and equipment costing ₱34.3 million and ₱53.7 million that are fully depreciated and no longer in use were retired in 2022 and 2021, respectively.



13. Land

Fair Value of Land

The fair value, categorized as Level 3 in the fair value hierarchy, is based on valuations determined by an independent appraiser, accredited by the Philippine SEC, as at June 30, 2022 and 2021. The valuation models used by the appraiser are in accordance with that recommended by the International Valuation Standards Council and is based on the land's highest and best use.

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

Based on the appraisal reports in 2022 and 2021, the fair value of the Group's land recognized under property, plant and equipment and investment property increased by ₱67.7 million and nil for the years ended June 30, 2022 and 2021, respectively.

Property, Plant and Equipment

Land at revalued amount recognized under property, plant and equipment as at June 30, 2022 and 2021 amounted to ₱1.0 billion and ₱996.8 million, respectively.

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

	2022	2021
Balances at beginning of year	₱938,866,755	₱889,431,214
Change in fair value of property and equipment	36,144,416	-
Change in tax rate to due to CREATE	-	49,435,541
Balances at end of year	₱975,011,171	₱938,866,755

Attributable to:

	2022	2021
Property, plant and equipment	₱777,677,534	₱741,533,118
Property, plant and equipment reclassified to investment property	197,333,637	197,333,637
	₱975,011,171	₱938,866,755

The value of land recognized under property, plant and equipment if carried at cost as at June 30, 2022 and 2021 is ₱8.1 million.

Investment Property

The fair value recognized under investment property as at June 30, 2022 and 2021 amounted to ₱456.8 million and ₱437.3 million, respectively.



The value of land recognized under investment properties if carried at cost as at June 30, 2022 and 2021 is ₱1.8 million. The Group has no restrictions on the realizability of its investment property and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements. The Group has neither earned rental income nor incurred direct operating expenses from its investment property.

14. Other Noncurrent Assets

	2022	2021
Long-term receivables	₱157,522,742	₱165,198,472
Recoverable and other deposits	39,517,525	39,597,525
Others	15,225,748	13,575,748
	212,266,015	218,371,745
Less current portion (see Notes 6)	16,519,849	56,122,219
	₱195,746,166	₱162,249,526

In 2021, the Group and one of its suppliers agreed that the Group will be reimbursed for the amount advanced to the supplier for costs to be incurred for future land preparation, planting and harvesting. In 2022, the total amount of reimbursement of ₱168.4 million will be made by the supplier in 3 equal amounts over a period of 3 years was renegotiated for a reimbursement in 10 equal amounts over a period of 10 years. The remeasurement of these long-term receivables resulted to the recognition of ₱7.7 million loss. Current portion that is expected to be collected within the next 12 months is included under the "Receivables" account (see Note 6).

15. Trade and Other Payables

	2022	2021
Trade payables	₱141,897,155	₱196,262,668
Accruals:		
Spare parts, supplies and inventory cost	230,279,986	285,638,836
Interest and penalties	10,202,374	11,135,300
Professional fees	7,196,717	7,280,167
Salaries, wages and other benefits	5,070,902	6,223,716
Taxes	1,366,551	3,361,194
Others	12,279,882	47,004,884
Dividends payable (see Note 26)	23,874,579	25,061,655
Advances from related parties (see Note 23)	17,622,932	11,832,195
Customers' advances	1,565,194	721,296
Other payables	2,110,034	5,190,138
	₱453,466,306	₱599,712,049

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



16. Notes Payable

Short-term Bank Notes

	2022	2021
Working capital facilities	P981,499,999	P990,000,000
Promissory notes	19,299,373	18,355,213
	P1,000,799,372	P1,008,355,213

Working Capital Facilities Agreement (WCFA)

The Group has an existing WCFA with BDO. Under the WCFA, the Group has an outstanding drawdown of P981.5 million and P990.0 million, as at June 30, 2022 and 2021, at 6.0% to 6.50% and at 6.50% interest rate per annum, respectively.

Promissory Notes

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

Total interest expense incurred for all short-term notes amounted to P60.5 million, P63.6 million and P63.9 million in 2022, 2021 and 2020, respectively.

Long-term Loan

On November 4, 2020, the Group obtained a P925.0 million loan from BDO Unibank, Inc. which will mature on November 9, 2027. The loan will be repaid in quarterly installments. The details are as follows:

	2022	2021
Bank Loan A - P509,724,245 loan, in which the interest rate will be the higher of (i) the seven (7) year benchmark plus margin of 250 bps, divided by 0.99 for the first 2 years and divided by 0.95 for the final 5 years; and (ii) 5% divided 0.99 for the first 2 years and divided by 0.95 for the final 5 years	P420,385,026	P484,238,033
Bank Loan B - P415,275,755 loan, in which the interest rate will be the higher of (i) the seven (7) year benchmark plus margin of 250 bps, divided by 0.99 for the first 2 years and divided by 0.95 for the final 5 years; and (ii) 5% divided 0.99 for the first 2 years and divided by 0.95 for the final 5 years	345,374,019	394,511,967
	765,759,045	858,259,044
Less current portion - net of transaction costs	105,872,300	87,406,692
Noncurrent portion - net of transaction costs	P659,886,745	P770,852,352

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

The Group recognized interest expense amounting to P43.6 million and P34.0 million for the years ended June 30, 2022 and 2021, respectively.



17. Cost of Goods Sold and Milling and Tolling Services

	2022	2021	2020
Inventory costs, spare parts, and supplies	₱731,969,776	₱714,663,163	₱764,358,587
Salaries, wages, bonuses and other benefits (see Note 20)	93,937,194	95,865,325	89,848,392
Depreciation and amortization (see Notes 12 and 20)	80,466,045	102,969,733	124,279,144
Power and steam	47,392,051	60,478,601	66,649,992
Security and outside services	41,385,672	46,812,120	45,681,913
Repairs and maintenance	40,659,973	56,692,762	59,069,592
Freight and transportation	37,672,216	44,532,897	38,604,243
Taxes and licenses	10,372,757	12,075,890	5,721,116
Insurance	5,093,747	5,200,789	5,449,773
Others	15,204,820	17,506,935	18,002,132
	₱1,104,154,251	₱1,156,798,215	₱1,217,664,884

18. Cost of Industrial Services

	2022	2021	2020
Power and steam	₱8,183,450	₱5,344,547	₱5,142,087
Security and outside services	4,289,428	4,123,903	3,673,323
Depreciation and amortization (see Notes 12 and 20)	3,240,870	2,214,610	2,172,388
Repairs and maintenance	1,815,656	1,095,137	891,390
Materials	1,372,400	2,196,923	1,200,478
Taxes and licenses	342,748	397,773	309,499
Salaries, wages, bonuses and other benefits (see Note 20)	320,576	314,911	330,005
Termination expense	206,125	178,571	211,875
Others	6,123,291	7,250,144	4,378,441
	₱25,894,544	₱23,116,519	₱18,309,486

19. Operating Expenses

	2022	2021	2020
Salaries, wages, bonuses and other benefits (see Note 20)	₱30,281,139	₱32,708,901	₱39,103,612
Professional fees	30,093,746	26,251,409	29,846,285
Taxes and licenses	14,528,952	8,677,823	15,769,373

(Forward)



	2022	2021	2020
Depreciation and amortization (see Notes 12 and 20)	₱9,249,845	₱9,004,664	₱11,773,363
Freight and transportation	8,573,022	6,947,375	7,210,662
Security and other outside services	5,803,399	6,954,248	7,206,805
Rentals	3,905,303	4,881,628	3,135,267
Repairs and maintenance	3,477,951	3,568,900	3,467,043
Entertainment, amusement and recreation	2,873,859	949,407	10,489,586
Light and water	1,976,165	1,372,160	1,577,168
Dues and advertisements	1,441,069	1,475,179	1,710,556
Provision for doubtful accounts	1,004,436	—	—
Postage, telephone and telegram	317,333	293,664	2,114,964
Management fees and bonuses	240,000	210,000	220,000
Bank charges	43,045	2,025	251,029
Others	6,989,235	6,201,975	8,009,161
	₱120,798,499	₱109,499,358	₱141,884,874

20. Nature of Expenses

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

	2022	2021	2020
Cost of goods sold and milling and tolling services (see Note 17)	₱80,466,045	₱102,969,733	₱124,279,144
Cost of industrial services (see Note 18)	3,240,870	2,214,610	2,172,388
Operating expenses (see Note 19)	9,249,845	9,004,664	11,773,363
	₱92,956,760	₱114,189,007	₱138,224,895

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

	2022	2021	2020
Cost of goods sold and milling and tolling services (see Note 17) Salaries, wages, bonuses and other benefits	₱93,937,194	₱95,865,325	₱89,848,392
Cost of industrial services (see Note 18) Salaries, wages, bonuses and other benefits	320,576	314,911	330,005
Operating expenses (see Note 19) Salaries, wages, bonuses and other benefits	30,281,139	32,708,901	39,103,612
Other income - net (see Note 21) Net retirement loss (income)	5,097,623	7,582,923	(11,885,835)
	₱129,636,532	₱136,472,060	₱117,396,174



21. **Other Income - net**

	2022	2021	2020
Insurance fee	₱5,335,426	₱9,106,898	₱4,766,990
Sale of scraps	4,134,917	4,936,239	-
Storage fee	1,416,821	3,469,385	3,324,249
Net retirement income (loss) (see Notes 20 and 22)	(5,097,623)	(7,582,923)	11,885,835
Others	(4,366,782)	46,700	2,601,384
	₱1,422,759	₱9,976,299	₱22,578,458

22. **Retirement Plan**

Parent Company

The Parent Company maintains a tax-qualified, funded, noncontributory defined benefit retirement plan covering substantially all of its permanent employees. The benefits are based on years of service and compensation during the latest year of employment. The latest retirement valuation was made as at June 30, 2022.

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



2022

	Balances at Beginning of Year	Net Benefit Cost in Profit and Loss			Benefits paid	Remeasurements in Other Comprehensive Income				Balances at End of Year
		Current Service Cost	Net Interest	Subtotal		Loss on Plan Assets	Actuarial Changes Arising From Changes in		Subtotal	
							Financial Assumptions	Experience Adjustments		
Fair Value of Plan Assets	₱35,229,713	₱-	₱1,577,376	₱1,577,376	₱-	(₱15,217,156)	₱-	₱-	(₱15,217,156)	₱21,589,993
Present Value of Defined Benefit Obligation	(42,435,772)	(4,750,291)	(1,924,708)	(6,674,999)	258,177	-	4,543,353	1,794,110	6,337,463	(42,515,131)
Retirement Benefit Obligation	(₱7,206,059)	(₱4,750,291)	(₱347,332)	(₱5,097,623)	₱258,177	(₱15,217,156)	₱4,543,353	₱1,794,110	(₱8,879,693)	(₱20,925,198)

2021

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



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

	2022	2021
Assets:		
Cash and cash equivalents	₱168,724	₱7,956,935
Investments in shares of stock	23,180,000	33,611,000
	23,348,724	41,567,935
Liabilities:		
Payable to CAT	1,758,791	6,230,890
Accounts payable to various retirees	-	107,332
	1,758,791	6,338,222
Net	₱21,589,933	₱35,229,713

Cash equivalents are short-term deposits made for varying periods up to three months and are not subject to significant credit risk and changes in value. Investments in shares of stock consist mainly of the Parent Company's shares which are traded in the PSE with LTF owning 0.97% or 2,318,000 common shares as at June 30, 2022 and 2021.

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

	2022	2021
Future salary increase rate	5.00%	5.00%
Discount rate	6.41%	4.82%

The discount rate used is a single weighted average rate based on bootstrapped Bloomberg Valuation Rates at various tenors as at June 30, 2022 and 2021. Rates for intermediate durations were interpolated. The rates were then weighted by the expected benefit payments at those durations to arrive at the single weighted average discount rate.

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

	2022	2021
Discount rate		
Increase of 1%	(₱2,397,191)	(₱2,846,069)
Decrease of 1%	2,730,527	3,281,963
Future salary increase rate		
Increase of 1%	₱2,998,359	₱3,502,905
Decrease of 1%	(2,677,879)	(3,094,202)

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

The Parent Company expects to contribute ₱5.8 million to the defined benefit plan in the next fiscal year

The average duration of the defined benefit obligation as at June 30, 2022 and 2021 is 17 years and 18 years, respectively.

