**ROXAS HOLDINGS, INC.**

(Company's Full Name)

**6/F CG Bldg., 101 Aguirre St., Legaspi Village, Makati City**

( Company's Address)

**(02) 810-8901**

( Telephone Number)

**30 September**

(Fiscal Year Ending)
(Month & day)

(Annual Meeting)

**SEC Form 17- A**

( Form Type)

Amendment Designation (if applicable)

**30 SEPTEMBER 2014**

Period Ended Date

(Secondary License Type, If any)

Cashier

LCU

Central Receiving Unit

DTU

S.E.C. Reg. No.

File Number

Document I.D.

**SECURITIES AND EXCHANGE COMMISSION**
**SEC FORM 17-A**
**ANNUAL REPORT PURSUANT TO SECTION 17**
**OF THE REVISED SECURITIES REGULATION CODE AND SECTION 141**
**OF THE CORPORATION CODE OF THE PHILIPPINES**

1. For the fiscal year ended : 30 September 2014.

2. SEC Identification Number : 15-A.

3. BIR Tax Identification No. : 000-290-538.

4. Exact name of issuer as specified in its charter : **ROXAS HOLDINGS, INC.**

5. Province/Country of Incorporation/Organization : Philippines.

6. Industry Classification Code : ________________

7. Address of Principal Office : 6F Cacho-Gonzalez Building, 101 Aguirre St., Legaspi Village, Makati City. Postal Code 1229.

8. Registrant's telephone number, including area code (632)810-8901 to 06.

9. Securities registered pursuant to Sections 4 and 8 of the RSA

| Title of Each Class | Number of Shares of Common Stock. Outstanding and Amount of Debt Outstanding |
|---|---|
| Authorized Capital Stock (Common Shares) | 1,500,000,000 |
| No. of shares of common stock outstanding | 909,552,236 |

Amount of debt outstanding as of 30 September 2013 None registered.

10. Are any or all of these securities listed on the Philippine Stock Exchange? Yes[x] No [ ]

11. Check whether the issuer:

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

Yes[x] No[ ]

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

Yes [ ] No [x]

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

Assuming that the number of shares held by non-affiliates as of 29 December 2014 is 566,930,722 and assuming further that the closing market bid price on said date is P6.70 then the aggregate value of voting shares held by non-affiliates as of the said date is Php3,798,435,837.

13. Documents incorporated by reference. (Briefly describe them and identify the part where they are incorporated by reference).

(a) Incorporated by reference in Part III on Financial Information is the annual report to security holders as of the fiscal year ended 30 September 2014

## PART I – BUSINESS

1. Business Development

Since 2007, Roxas Holdings, Inc. (Company or RHI) has implemented strategies to prepare itself for a more competitive environment that will take place beginning 2015 with the reduction of sugar tariffs from the current thirty-five (35) percent to near zero levels under the ASEAN Free Trade Agreement (AFTA).

In 2010, the Company completed the massive expansion of its sugar milling subsidiaries, Central Azucarera Don Pedro, Inc. (CADPI) in Batangas and Central Azucarera de la Carlota, Inc. (CACI) in Negros Occidental. The expansion boosted CACI's milling capacity from 11,000 tons cane per day (TCD) to 18,000 TCD while CADPI increased milling capacity from 10,000 TCD to 13,000 TCD.

The Company also ventured into the bioethanol business through Roxol Bioenergy Corporation (Roxol). Roxol has an ethanol plant, located in Negros Occidental, and is strategically designed to produce both bioethanol and potable or industrial alcohol. The Company produces bioethanol which caters to the country's requirements for biofuel, at the same time, supply the potable alcohol requirements of the beverage and industrial markets.

The Company has a 45 percent (45%) stake in Hawaiian-Philippine Company (HPCo), another sugar milling company situated in Silay, Negros Occidental and Najalin Agri-Ventures, Inc. (NAVI), a corporate farm located in La Carlota City, Negros Occidental.

Principal Products and Services

a) Sugar

The Company produces raw and refined sugar in different grades. Big industrial users, including food and beverage, and pharmaceutical companies, prefer the Company's premium raw sugar for blending in their own products. Customers with unique product specifications, such as packaging and delivery, also rely on the Company to provide them with customized sugar solutions.

b) Tolling/Refining

The Company, through CADPI, offers tolling or refining services to raw sugar owners.

c) Bioethanol

The Company, through Roxol, produces fuel ethanol to meet the needs of local oil companies in compliance with the Biofuels Act of 2006 which mandates the blending of 10% ethanol in gasoline. Roxol is also designed to produce potable and industrial alcohol to cater to the demands of the alcoholic beverage and personal care markets.

d) Power

In response to the increasing demand for power supply, the Company has also diversified into power by entering into a co-generation project with the Global Business Power Corporation of the Metrobank Group. The power to be generated from the co-generation project will be sold initially to the local grid.

2. Business

a. Description of the Company

At the forefront of the ever-evolving Philippine sugar industry, the Company is one of the few integrated sugar companies in the Philippines that managed to diversify its sugar business to include ethanol and co-generation.

It is recognized as the owner and operator of the largest sugar mill in the Philippines. The Company is also behind the operations of the country's second largest refinery. The Company, in recent years, was also among the first movers in the country's bioethanol industry, which paved the way for its being one of the top three biggest Philippine ethanol producers to date.

A trusted industry leader with a history of close to a century, the Company is continuously acknowledged for its contributions and legacy in the areas of sugar and bio-ethanol production.

i) Principal products, markets, relative contribution to sales and revenues of CADPI, CACI and Roxol:

| | CADPI | | | CACI | | | Roxol | |
|---|---|---|---|---|---|---|---|---|
| a. | Raw sugar | 15% | a. | Raw Sugar | 77% | a. | Anhydrous alcohol | 79% |
| b. | Refined sugar | 75% | b. | Refined Sugar | 0% | b. | Ethyl alcohol | 0% |
| c. | Molasses | 8% | c. | Molasses | 23% | c. | Refined Sugar | 21% |
| d. | Tolling | 2% | | | | | | |

ii) Distribution methods.

CADPI and CACI sell sugar mainly to the domestic market but also cater to foreign buyers when the opportunity arises. CACI and CADPI also sell molasses to the domestic market. Distribution is through direct selling to various traders and industrial users. They are not dependent on specific entities for the distribution of their products.

Roxol sells bioethanol fuel to the domestic market directly to oil companies. All of the major oil companies currently purchase their ethanol requirements from Roxol.

iii) Competition.

CADPI and CACI supply sugar to entities engaged in pharmaceutical, food, and beverage businesses, among others. Both are top raw sugar producers in the industry and have the most modern sugar equipment/facilities in the country. Entities engaged in the same line of business are Batangas Sugar Central in Batangas and Victorias Milling Co., Binalbagan-Isabela Sugar Company, Hawaiian-Philippine Company and Lopez Sugar in Negros. The main competitors of CADPI's refined sugar production are Victorias Milling Co. and Lopez Sugar from the Negros Island, and Central Azucarera de Tarlac in the Northern-most market segment. The raw sugar market segment covers both the households and SMEs and are supplied by the many sugar mills in the country through wholesalers and retailers, including the wet markets.

Roxol supplies bioethanol fuel to oil companies. Roxol is one of the few bioethanol fuel producers among which are San Carlos Bioenergy, Inc., Green Futures Innovations, Inc. and Leyte Agri Corp. Several other companies are expected to start up their bioethanol facilities within the year.

CADPI secures its sugar cane principally from planters in Batangas. Its principal suppliers of other materials and services are: Lucky Fourteen Trucking, Pilipinas Shell Petroleum Corporation, Arlo P. Brucal Construction and General Services, W. Sy. Trucking Services, Micromatic Industries, Inc., Fuel Options, Inc., Unibag Manufacturing Corp., H.T. Mining Products Resources Corporation, United Labor Service Cooperative, Lawin Technologies, Inc., Kim Bryce Trading & Construction, VB Atienza Builders Inc., Arvin International Mktg. Inc, Fabcon Philippines Inc., M-PRO Industrial Construction Corp., Jenzuel Trading, Falcon Yarn Mfg. Corp., AG-RO Industrial And Mill Supplies Corp., Ecophil Construction Corp., and PLM Chemical Corp.

CACI secures its sugar cane from various planters/traders in Negros Occidental. Its affiliate, Najalin Agri-Ventures, Inc. which owns a parcel of land that has been leased to a group of sugar planters, supplies a small percentage of the sugar cane requirements of the Company. Its major suppliers of materials and services are: Prefam Builders, W. Sy Trucking Services, Geonanga Manpower Services, MMC Engineering Work Dealer, Fabcon Philippines, Inc., The Western States Machine Company, Petron Corporation, Ecophil Construction Corp., Bosch Rexroth Pte. Ltd-Lhd, Joseph V. Emboltorio Construction, Mabini Limers and Farmers Multi-Purpose Cooperative, Unibag Manufacturing Corporation, Chemtrust Unlimited Sales & Services, Inc., Bacolod Welding Mfg.Corp., Baronessa Metal Corporation, Perten Instruments AB, Resources Consolidated Int'l. Trading, Inc.

Roxol secures its molasses from CACI and from the planters and traders in Negros Occidental. Its principal suppliers of other materials and services are: Distilleria Bago, Inc., Greenchips Wood Supply, MMC Engineering Work Dealer, Dynamic Metals, Geonanga Manpower Services Construction and Supply, Venus Trucking Services, Inc., Synergetic Trading, Mosser Environment Corporation, Fresco Biofuel, MLU Heavy Equipment Services Inc., Southern Negros Joint Venture Corporation, Hawaiian Philippine Company, Seven-C Integrated Corp., CAC Multi-Purpose Coop., W. Sy Trucking Services, Joseph V. Emboltorio Construction, Le Soleil International Logistics Company, Inc., Micromatic Industries, Inc., and Yokogawa Phils., Inc.

iv) Transactions with and/or dependence on related parties

CADPI and CACI are not dependent on few customers or related parties in the distribution or sale of their products. They supply various industrial users and traders. Demand from these customers is evenly distributed.

Roxol's principal customers for its bioethanol fuel product are Seaoil Philippines, Inc., Flying V, Shell, Petron and Chevron.

v) Patents, Trademarks and Copyrights.

RHI, CADPI, CACI and Roxol have the following registered trademarks:

| **Company** | **Trademarks** |
|---|---|
| Roxas Holdings, Inc. | RHI doing business as CADP Group and Device |
| Central Azucarera Don Pedro, Inc. | Central Azucarera Don Pedro, Inc. and Device<br>Nature Sweet (Stylized) Don Pedro Emblem<br>G Special Raw Sugar |
| Central Azucarera de La Carlota, Inc. | Central Azucarera de La Carlota, Inc.<br>Cane Best<br>Primeraw Special Raw Sugar |
| Roxol Bioenergy Corporation | Roxol Bioenergy Corporation and Device |

vi) Need for government approvals of principal products.

The sugar businesses of CADPI and CACI are principally regulated by the policies and the rules and regulations of the Philippine Sugar Regulatory Administration (SRA).

The business of ROXOL is principally regulated by Republic Act (RA) No. 9367, otherwise known as the Biofuels Act of 2006, and the rules and regulations issued by the Philippine Department of Energy (DOE).

vii) Effect of existing or probable governmental regulations on the business of CADPI, CACI and Roxol.

A. Sugar Industry - in the Philippines, although other governmental agencies issue policies affecting the sugar industry, it is primarily governed by the policies, rules and regulations issued by the SRA. These regulations are:

1. <u>The U. S. Quota System</u>

The main goal of the US sugar policy is to support and stabilize the income of US sugar farmers who grow cane and beet sugar. One major policy instrument employed to achieve this end is the import quota. From 1934 until the early 1980s, quota limitation governed Philippine sugar consumption. In 1946, the Philippine Trade Act fixed the sugar quota which could be exported to the US. This quota amounted to about 15% of the total US sugar requirements until 1974 when the quota was suspended. It was reinstated in 1982 and since then, the prices paid for sugar exported to the US have always been higher than the price at which sugar could otherwise be exported.

2. <u>The SRA Quota System</u>

SRA Sugar Order No.1, issued in August 1987, is the basis for the annual sugar allocation for sugar produced in the Philippines. The Order allocated the country's total domestic sugar into the following categories: "A" for export to the US, "B" for domestic sugar, "C" for reserve sugar, and "D" for export to other foreign markets. These allocations are determined by the SRA Board at the beginning of every crop year. These allocations affect the total amount of raw sugar available for domestic refineries.

3. Value Added Tax System

The present value-added tax (VAT) system imposes a 12% tax on refined sugar. The manufacturer of refined sugar is allowed a presumptive input VAT of 4% on raw sugar purchases in addition to the 12% input tax on the value of materials and supplies used in the manufacture of refined sugar. These are creditable against the 12% output VAT. The tax consequence does not adversely affect the Company's business because the tax is passed on to the buyer or consumer.

On 20 September 2013, the Bureau of Internal Revenue (BIR) issued Revenue Regulation 13-2013 which revised the definition of raw sugar for purposes of VAT. Under the new definition, VAT is now imposed on the production of all sugar, except for muscovado. A temporary restraining order (TRO) has been imposed on this regulation, hence, to date this revenue regulation remains ineffective.

4. Executive Order No. 313

Executive Order (EO) No. 313 issued on 29 March 1996 modified the nomenclature and the rates of Import Duty on certain imported articles under Section 104 of the Tariff and Customs Code of 1978, as amended. For certain articles, two rates of import duties are provided. For these articles, a Minimum Access Volume (MAV) is provided. The MAV refers to the volume of a specific agricultural product that is allowed to be imported with a lower rate of duty. The In-Quota rate of duty applies to importation that is within the MAV provided for an agricultural product while the Out-Quota rate of duty applies when the importation is in excess of the MAV specified for an agricultural product.

5. Executive Order No. 420

EO No. 420 issued on 17 June 1997 modified the rates of duty on sugar as provided under the Tariff and Customs Code of 1978, as amended, in order to implement the ASEAN preferential rates of duty on cane sugar and beet sugar, among others. Under the Order, the tariff on these products was placed at 65% from 1997 up to 1998; after which, sugar could be placed under the sensitive list allowing the gradual phase-down of tariffs. Additionally, it provided that the margins of preference (MOP) accorded under the ASEAN Preferential Trading Arrangements (PTA) will no longer be extended to any of the products covered under the same Order.

EO No. 313 was issued to modify the rates of duty on certain agricultural products, including sugar, while EO No. 420 was issued to modify the rates of duty on sugar alone. Both orders are geared towards helping the Philippine sugar industry become efficient and globally competitive.

6. Executive Order No. 431

EO No. 431 issued on 5 August 1997 provides for the creation of the National Coordinating Council for the Philippine sugar industry. The Council is tasked to promote effective government and private sector coordination in pursuing the national efforts to enhance the development and global competitiveness of the local sugar industry.

7. Executive Order No. 268

EO No. 268 issued on 9 January 2004 modified the rates of duty on other sugars (Heading 17.02) under Section 104 of the Tariff and Customs Code of 1978, as amended, in order to implement the commitment to reduce the tariff rates on sixty percent (60%) of the products in the inclusion list to zero percent (0%) under the Common Effective Preferential Tariff (CEPT) scheme for the Asean Free Trade Area (AFTA).

8. Executive Order No. 295

EO No. 295 issued on 03 March 2004 modified the nomenclature and rates of import duty on sugar (Heading 17.01) under Section 104 of the Tariff and Customs Code of 1978, as amended. Under the Order, sugar which are entered and withdrawn from warehouses in the Philippines for consumption shall be levied the MFN (Most Favored Nation) rates of duty therein prescribed. Moreover, the Order provides that sugar which are entered and withdrawn from warehouses in the Philippines for consumption shall be imposed the ASEAN CEPT rates of duty therein prescribed subject to qualification under the Rules of Origin as provided for in the Agreement on the CEPT Scheme for the ASEAN Free Trade Area signed on 28 January 1992.

B. Bioethanol Industry - In the Philippines, the bioethanol industry is principally governed by RA No. 9367, otherwise known as the Biofuels Act of 2006, and the rules and regulations that are issued by the government through the DOE to implement the law.

1. Republic Act No. 9367

RA No. 9367 was enacted to direct the use of biofuels and to reduce the country's dependence on imported fuels with due regard to the protection of public health, the environment and natural ecosystems consistent with the country's sustainable economic growth that would expand opportunities for livelihood by mandating the use of biofuels as a measure to develop and utilize indigenous and sustainably-sourced clean energy sources to reduce dependence on imported oil; mitigate toxic and greenhouse gas (GHG) emissions; increase rural employment and income; and ensure the availability of alternative fuels. The use of biofuels is mandated under Section 5 of RA No. 9367. It provides that all liquid fuels for motors and engines sold in the Philippines shall contain locally-sourced biofuels components. It further provides that within two (2) years from the effectivity of the law, at least five (5%) percent bioethanol shall comprise the annual total volume of gasoline fuel actually sold and distributed by each and every oil company in the country, subject to the requirement that all bioethanol blended gasoline shall contain a minimum of five (5%) percent bioethanol fuel by volume. Further, the law also directs that within four (4) years from its effectivity, the National Biofuels Board (NBB) which was created under it shall have the power to determine the feasibility and thereafter recommend to DOE to mandate a minimum ten (10%) percent blend of bioethanol by volume into all gasoline fuel distributed and sold by each and every oil company in the country.

2. DOE Department Order No. DC 2007-05-006.

Department Circular No. DC 2007-05-006 was issued by the DOE on 17 May 2007 to implement RA No. 9367. It covers the production, blending, storage, handling, transportation, distribution, use and sale of biofuels, biofuel-blends and biofuel feedstock in the Philippines. It also clarifies specific provisions of the law and the roles and functions of the different government agencies and their relationship with the National Biofuels Board.

3. Joint Administrative Order No. 2008-1, Series of 2008

Joint Administrative Order (JAO) No. 2008-1, Series of 2008 was issued by the Department of Agriculture (DA), Department of Agrarian Reform (DAR), Department of Energy (DOE), Department of Environment and Natural Resources (DENR), Department of Finance (DOF), Department of Labor and Employment (DOLE), Department of Science and Technology (DOST), Department of Trade and Industry (DTI), Department of Transportation and Communications (DOTC), National Biofuels Board (NBB), National Commission on Indigenous Peoples (NCIP), Philippine Coconut Authority (PCA) and Sugar Regulatory Administration (SRA) on 8 October 2008. The JAO was issued to provide the guidelines governing the biofuel feedstock production and biofuels and biofuel blends production, distribution and sale of biofuels. The objectives of the guidelines are to develop and utilize indigenous renewable and sustainably-sourced clean green energy sources to reduce dependence on imported oil, to mitigate toxic and greenhouse gas (GHG) emissions, to increase rural employment and income, to promote the development of the biofuel industry in the country and to encourage private sector participation and to institute mechanisms which will fast track investments in the biofuel industry and to promote biofuel workers' welfare and protection, among others.

4. Department Circular No. DC2011-02-0001

Department Circular No. DC2011-01-0001 was issued by the DOE on 6 February 2011 mandating the ten percent (10) blend of bioethanol by volume into all gasoline fuel distributed and sold by the oil companies effective 6 August 2011.

5. Department Circular No. DC2011-12-0013

Department Circular No. DC2011-12-0013, otherwise known as the "Guidelines on the Utilization of Locally-produced Bioethanol in the Production of E-gasoline," was issued by the DOE on 15 December 2011. The Circular was issued in order to implement the mandatory exhaustion by the oil companies of locally-produced bioethanol before the oil companies are permitted to import ethanol.

6. Value Added Tax and Excise Tax Systems

Under the present VAT system, the sale of bioethanol fuel, being a fuel generated from renewable sources of energy, is subject to zero percent (0%) VAT rate while the sale of industrial and potable alcohol is subject to 12% VAT. The tax consequence does not adversely affect the Company's business because the VAT on industrial and potable alcohol is passed on to the buyer or consumer.

On excise tax, bioethanol fuel is subject to zero percent (0%) specific tax under RA No. 9367 while industrial and potable alcohol is subject to excise tax at the prevailing tax rates. The tax consequence does not adversely affect the Company's business because the excise tax on industrial and potable alcohol is passed on to the buyer or consumer.

viii) Estimated amount spent on research and development for the past four fiscal years; extent to which these costs are borne by customers, if applicable.

CADPI contributes Php2.00 per Lkg. of sugar produced to the Philippine Sugar Research Institute Foundation, Inc. (PHILSURIN) in compliance with SRA Sugar Order No. 2, Series of 1995. During the last five (5) years, CADPI contributed about Php25 million to research and development and this amount constitutes 0.14% of its revenues. For the last crop year, the Company contributed P3.5 million or about 0.08% of the revenue.

Likewise, CACI contributes Php2.00 per Lkg. to PHILSURIN. For the last crop year the Company allocated Php 2.4 million or about 0.07% of the total revenue. During the last five (5) years, CACI contributed about Php 29.3 million to research and development and this amount constitutes 0.19% of its revenues.

CADPI was the first sugar factory in the country which volunteered in the Industrial Environmental Management Project (IEMP) funded by the United States Agency for Industrial Development (US-AID) under the supervision of the Department of Environment and Natural Resources (DENR). IEMP advocates waste minimization through Pollution Management Appraisals (PMA).

ix) Environmental Management

Waste minimization implementation in CADPI began in 1993 with the activation of an Interior Pollution Management Appraisal Team. A significant reduction in wastewater needing treatment was achieved through segregation, characterization, and good housekeeping. An active PMA Team tasked to address the environmental concerns of the sugar factory complemented the expansion and modernization program of the Company. As of today, the waste minimization program in CADPI is continuously observed and closely monitored through Risk Control Action Plan (RCAP). CADPI has been consistently compliant with all legal and regulatory requirements and ISO Standards under ISO 14001:2004 otherwise known as the Environmental Management System. CADPI was again re-certified as an ISO 14001:2004 company last February 2014

CADPI has also made substantial investments in the following pollution control facilities:

1. Totally close-loop cooling system for the sugar mill and refinery where 100% of cooling water is recycled.
2. Activated Sludge Wastewater Treatment System with Sessil Trickling Filter.
3. Wet Scrubbers for the steam boilers and clarifiers.

For the fiscal year ending 30 September 2014, CADPI spent about Php23.8 million in its pollution management program.

CADPI's environmental and pollution control initiatives during the fiscal year included the following:

1. Pollution Control Facilities:
   - Waste Water Treatment Plant (7000 CMD capacity)
   - Air Pollution Control Devices for the boilers smoke stack.
2. Energy Efficiency/Energy Conservation
   - Replacing of Lotus bulbs (200 watts) from metal halide (400 watts)
3. Water Conservation Programs
4. Chemical Reduction Programs
5. Chemical Substitution (Reduction or elimination of toxic or hazardous chemicals)
6. Proper Handling and disposal of Hazardous Waste such as used oils, busted fluorescent lamp, substance lead-acetate, and pathological hospital wastes through the accredited treaters/transporters.
7. Solid Waste Minimization
8. On-going utilization of mud press as soil conditioner for sugar cane fields and as produced organic fertilizer.
9. Green procurement/Greening the Supply Chain
   - Inclusion of environmental compliance as a criteria in the suppliers and contractors accreditation process of the Purchasing Department.
10. Other Cleaner Production Technologies and Programs such as:
    - On-going implementation of 5S which is incorporated with Good Manufacturing Practices (GMP) as one of the programs of ISO 14001 EMS. Second re-certification audit for EMS to check compliance with the requirements of ISO 14001 was already conducted by SGS last February 4 to 7, 2014. CADPI's most recent certification is for ISO/TS 220002-1:2012
    - Tree planting activity at CADPI.
    - Cleaning program of Barangay Lumbangan, "Tapat ko, Linis Ko" last January 10, 2014.
    - Participated in International Coastal Clean-Up at Nasugbu, Batangas in cooperation with MENRO-Nasugbu last September 21, 2013 with Kiwanis Club of CADP.
    - Donation of garbage bins labelled "NABUBULOK" and "DI-NABUBULOK" to MENRO, August 14, 2013.
    - Conducted quarterly meeting of CADPI Multi-partite Monitoring Team (Sectoral Committee) last December 4, 2013 to check and verify compliance with environmental regulations on water, air and solid waste emissions including toxic and hazardous waste management and ECC compliance

CADPI received the following awards and recognition:

1. 6 December 2013 - OUSTANDING AWARD for the contribution to the energy efficiency and conservation goals of the country, and substantial effort to mitigate climate change. Given by the Department of Energy for the Don Emilio Abello Energy Efficiency Awards.
2. 29 April 2014 - CADPI received a Plaque of Appreciation from Nestle Philippines for the commitment to Sustainable Development through the successful Implementation of its Environmental Management Systems and exemplary environmental programs.

For the fiscal year ending 30 September 2014, CACI spent about Php34.2 Million for the maintenance and improvement of its pollution control program. CACI's environmental and pollution control initiatives during the fiscal year included the following:

A. Environmental Management
1. Participated in Mangrove Tree-Planting at the Municipality of Pontevedra, Negros Occidental.
2. Recognized as an Active Industrial Member of Sugar Industry Environmental Committee.
3. Recognized as an Active Industrial Member of Pollution Control Association of the Philippines, Region

B. Safety and Health
1. Conducted Fire Basic Fighting Training and Fire Drill.
2. Participated in the Fire Prevention Month Celebration of Bureau of Fire Protection (BFP).

Further, the following projects are implemented during crop year 2013-2014.

1. Installation of 10,000 gpm centrifugal pump for Marley Cooling towers.

2. Partial rehabilitation of cooling towers.
3. Installation of Factory Run-off canal
4. Dredging and de-silting of Najalin Lagoon No.1
5. Rehabilitation of Najalin Lagoon No.2 discharge gate and earth dike with riprap
6. Renovation of De Agua Dam with activation of its drain sluice gate

For CY 2014-2015, CACI's EMSD have following activities.

A. Environmental Management
1. Medical Mission for the residents of Brgy. Nagasi, La Carlota City
2. Training for CACI- Roxol Multipartite Monitoring Team

B. Safety and Health
1. Formation of Accident Investigation Team
2. Formation of Safety Team with one safety man from each department
3. Launched the Risk Assessment Program
4. Conduct Basic Occupational Health and Safety Course for Safety Men on Dec.1-4, 2014
5. Conduct Basic Disaster Management on Dec. 9-10, 2014
6. Conduct First Aid Training for Safety Men on Dec. 15-19, 2014

For the fiscal year ending 30 September 2014, Roxol spent about Php12.8 million for the maintenance and improvement of its pollution control program. Roxol has actively pursued and implemented the following: environment safety and health program; fire prevention plan; environmental management plan and use of a wastewater treatment and methane gas recovery facility for pollution mitigation.

The projects undertaken by Roxol for the fiscal year which cover environmental management, safety and security, are detailed below:

A. Environmental Management

1. Orchestrated Clean - up activity at Mangala River Overflow, Barangay RSB, La Carlota City on 20 September 2014 in celebration of the International Coastal Clean – up Day 2014;
2. Adopt an Estero Orchestrated Clean-up in Celebration of the Philippine Environment Month on 21 June 2014;
3. Slops delivery to farms;
4. CACI-Roxol Multi-Partite Monitoring Team Stakeholders Training.

B. Safety and Health

1. Launched the No-To-Accident (NTA) Program;
2. Complied with the Department of Energy's Renewable Energy Safety, Health and Environment Rules and Regulations (RESHERR) enacted December 2012;
3. Conducted Basic Fire Fighting Training;
4. Conducted Basic First Aid and Life Support Training;
5. Conducted company-wide fire drill;
6. Participated in the Fire Prevention Month Celebration of the Bureau of Fire and Protection (BFP); and
7. Awarded 1st Place at La Carlota City Fire Fighting Olympics.

Previously, Roxol implemented a zero-discharge system through the wastewater methane capture component of its ethanol plant which is covered by Environmental Compliance Certificate No. ECC-R6-0809-254-9999 issued by the DENR. Roxol spent about Php222.5M for its waste treatment facility consisting of the following components: (i) Upflow anaerobic Sludge Blanket (UASB); (ii) Degasser; (iii) Lamella clarifier; (iv) Covered lagoons; (v) Evaporator and dryer; (vi) Boiler wet scrubber; (vii) Cooling tower; and (viii) Condensate polishing unit. Gay, please call the emsd of Roxol for update.

x) Total number of employees and number of full-time employees.

As of 30 November 2014, the Company had seventeen (17) executive officers.

As of 30 November 2014, CADPI had four hundred seventy four (474) regular employees. CADPI has a standing Collective Bargaining Agreement (CBA) with the Batangas Labor Union (BLU) for a period of five (5) years from 01 July 2011 to 30 June 2016.

CACI, on the other hand, had three hundred sixty two (362) regular employees as of 30 November 2014. CACI has a CBA with the Mag-Isa Mag-Ugyon Asosasyon Sang Mamumugon Sa Central Azucarera de la Carlota (MAMCAC) for a period of five (5) years from June 2010 to May 2015. For the past three (3) years, the labor unions of CADPI and CACI have not staged a strike.

Roxol had sixty five (65) regular employees as of 30 November 2014. Roxol is not unionized.

xi) Property.

The Company is the owner of a parcel of land located in Nasugbu, Batangas valued at Three Billion Ninety Two Million Seven Hundred Ninety Two Thousand Four Hundred Pesos (Php3,092,792,400.00), Philippine currency. The land is also presently mortgaged to secure certain loan obligations.

The Company likewise invested in properties in Bacolod, Negros Occidental and in Barrio Remanente, Nasugbu Batangas with aggregate value of Twenty Four Million Four Thousand Pesos (Php24,004,000.00).

CADPI is the owner of sugar milling and refining facilities, machineries and furniture and fixtures, transportation equipment and tools located in Nasugbu, Batangas. As of 30 September 2014, these properties are valued, net of depreciation, at Three Billion Four Hundred Twenty Three Million Pesos (Php3,423,000,000.00). These properties are presently mortgaged with banking institutions to secure certain loan obligations.

CACI is the owner of sugar milling facilities including parcels land located in Barangay Consuelo, La Carlota City and in the Municipalities of La Castellana and Pontevedra in Negros Occidental as well as improvements, machineries, furniture and fixtures, transportation equipment and tools. As of 30 September 2014, these properties are valued, net of depreciation, at Two Billion Nine Hundred Fourteen Million Pesos (Php2,914,000,000.00). These properties are presently mortgaged with banking institutions to secure certain loan obligations.

Roxol is the owner of a bioethanol plant, parcels of land located in Brgys. La Granja, Esperanza and Cubay, La Carlota City, Negros Occidental and improvements, machineries, fixtures and transportation equipment. As of 30 September 2014, these properties are valued, net of depreciation, at One Billion Two Hundred Ninety One Million Pesos (Php1,291,000,000.00). These properties are presently mortgaged to banking institutions to secure certain loan obligations.

NAVI is the owner of a parcel of land in Brgy. Nagasi, La Carlota City, Negros Occidental including various buildings, improvements, machinery and other equipment. As of 30 September 2014, the properties are valued, net of depreciation, at One Hundred Ninety Six Million Seven Hundred thousand Pesos (Php196,700,000.00).

xii) Legal Proceedings.

In the ordinary course of its business, the Company and its subsidiaries are engaged in litigations either as complainant or defendant. In the opinion of the Company, these cases do not have material adverse affects on its financial condition.

xiii) Submission of Matters to a Vote of Security Holders.

No matter was submitted to a vote of security holders, through solicitation of proxies or otherwise, during the fourth quarter of the fiscal year covered by this report.

## PART II – SECURITIES OF THE REGISTRANT

(A) Market Price of and Dividends on Registrant's Common Equity and Related Stockholder Matters.

1. Market information.

RHI's shares are listed and traded in the Philippine Stock Exchange.

(1) High and low of share price for the last two (2) fiscal years.

October 2012 through September 2013

| Quarter | High | Low |
|---|---|---|
| 1 | 3.00 | 2.95 |
| 2 | 3.01 | 3.00 |
| 3 | 3.00 | 2.90 |
| 4 | 2.50 | 2.35 |

October 2013 through September 2014

| Quarter | High | Low |
|---|---|---|
| 1 | 7.30 | 2.28 |
| 2 | 6.42 | 5.48 |
| 3 | 8.06 | 5.61 |
| 4 | 7.00 | 6.50 |

The Company's shares were trading at ₱6.99 per share as of 19 November 2014.

(2) Holders. There were about 2,174 holders of the Company's common shares as of 30 November 2014. The top twenty (20) holders of the common shares as of said date were:

| | Stockholder | Nationality | Total No. of Shares | Percentage |
|---|---|---|---|---|
| 1. | Roxas & Company, Inc. | Filipino | 318,341,705 | 35.00 |
| 2. | First Pacific Natural Resources Holdings BV | Netherlands | 309,197,760 | 34.00 |
| 3. | PCD Nominee Corporation | Filipino | 137,425,482 | 15.11 |
| 4. | Rizal Commercial Banking Corporation | Filipino | 34,476,000 | 3.79 |
| 5. | Agikik Corporation | Filipino | 28,120,000 | 3.09 |
| 6. | Pesan Holdings,Inc. | Filipino | 26,373,248 | 2.90 |
| 7. | PCD Nominee Corporation (Non-Flipino) | Other Alien | 21,968,690 | 2.42 |
| 8. | Pan Malayan Mgmt. & Investment Corp. | Filipino | 3,817,932 | 0.42 |
| 9. | Insular Life Assurance Co., Ltd. | Filipino | 1,198,520 | 0.13 |
| 10. | Jose A. Manzano Jr. | Filipino | 1,029,007 | 0.11 |
| 11. | Gilbert Liu | Filipino | 1,014,000 | 0.11 |

| | | | | |
|---|---|---|---|---|
| 12. | East West Banking Corporation | Filipino | 914,290 | 0.10 |
| 13. | Emilio Pantoja | Filipino | 785,078 | 0.09 |
| 14. | Armando M. Medina | Filipino | 770,640 | 0.08 |
| 15. | Leonardo T. Siguion Reyna | Filipino | 608,400 | 0.07 |
| 16. | Raul S. Roco | Filipino | 486,720 | 0.05 |
| 17. | O. Ledesma & Co., Inc. | Filipino | 446,160 | 0.05 |
| 18. | BMI Holdings Corporation | Filipino | 431,964 | 0.05 |
| 19. | Priscilo M. Caraig | Filipino | 425,716 | 0.05 |
| 20. | Antonio G. Nieto | Filipino | 367,450 | 0.04 |
| | Subtotal | | 888,198,762 | 97.65 |
| | Other Shareholders | | 21,353,474 | 2.35 |
| | **Grand Total** | | **909,552,236** | **100%** |

(3) Dividends.

(a) History of dividends paid:

| *Declaration Date* | *Record Date* | *Type and Amount of Dividends* |
|---|---|---|
| 28 June 2006 | 14 July 2006 | Cash - ₱0.06 per share |
| 27 September 2006 | 12 October 2006 | Cash - ₱0.06 per share |
| 20 June 2007 | 13 July 2007 | Cash - ₱0.06 per share |
| 19 September 2007 | 15 October 2007 | Cash - ₱0.05 per share |
| 25 June 2008 | 15 July 2008 | Cash - ₱0.06 per share |
| 3 October 2008 | 15 October 2008 | Cash - ₱0.06 per share |
| 24 June 2009 | 15 July 2009 | Cash - ₱0.06 per share |
| 17 September 2012 | 01 October 2012 | Cash - ₱0.06 per share |
| 12 December 2012 | 28 December 2012 | Cash - ₱0.04 per share |
| 07 August 2013 | 30 August 2013 | Cash - ₱0.06 per share |
| 06 November 2013 | 20 November 2013 | Cash - ₱0.06 per share |
| 06 August 2014 | 22 August 2014 | Cash – ₱0.12 per share |
| 05 December 2014 | 22 December 2014 | Cash – ₱0.12 per share |

(b) The Company's ability to declare and pay dividends on its common equity is generally restricted or limited by the pertinent provisions of the Corporation Code of the Philippines, i.e. the prohibition on capital impairment, and the limitation on the discretion of the Board of Directors to declare dividends based on their fiduciary duty, among others. The Company's policy is to declare a minimum of 35% of its annual earnings as cash or stock dividend payable out of its unrestricted retained earnings.

(4) Recent Sales of Unregistered Securities.

(a) Securities Sold

There were no recent sales of unregistered or exempt securities.

(b) Exemption from Registration Claimed.

On 12 July 2013, the Securities and Exchange Commission (SEC) issued a resolution exempting the issuance of Thirty Five Million (35,000,000) common shares for the Company's Employees Stock Option Plan (ESOP) 1 from the registration requirement of the Exchange.

Also, on 6 May 2014, the SEC issued a resolution exempting the issuance of Thirty Million (30,000,000) common shares for the Company's Stock Option Plan 2 from the registration requirement of the Exchange.

(c) Description of Registrant's Securities.

The authorized capital stock of the Company is One Billion Five Hundred Million Pesos (Php1,500,000,000.00), Philippine currency, consisting of One Billion Five Hundred Million (1,500,000,000) common shares with par value of One Peso (Php1.00) per share. As of 30 November 2014, the Company has 259,424,189 common shares in the treasury.

The shareholders do not have pre-emptive rights to subscribe to issues or disposition of the shares of stock of the Company of any class unless the Board of Directors decides otherwise. There are no provisions in its charter or by-laws which would delay, defer or prevent a change in the control of the Company.

## PART III – FINANCIAL INFORMATION

## MANAGEMENT DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

## FULL FISCAL YEAR 2013-2014

The Company underwent significant developments this year to strengthen its competitive position in preparation for the full implementation of the ASEAN Free Trade Agreement (AFTA) in 2015. Roxas and Company, Inc (RCI) welcomed its new strategic partner and sold 31% of its equity ownership in Roxas Holdings Inc. (RHI) to First Pacific Natural Resources Holdings BV (First Pacific), a Hongkong-based company. RCI remains a major shareholder at 35% of RHI while First Pacific has 34% equity ownership as it acquired additional shares of stock of RHI from other shareholders.

Roxol Bioenergy Corporation (Roxol), the group's ethanol manufacturing subsidiary began full commercial operation in October 2013 with daily production capacity of up to 150 thousand liters per day. Roxol secured the Board of Investment's (BOI) approval to convert its registration from Non-Pioneer to Renewable Energy (RE) Developer under R.A. 9513 as endorsed by the Department of Energy (DOE). As RE developer, Roxol was granted another 7-year income tax holiday from 2014 to 2020, a permanent corporate income tax rate of 10% after 2020 and zero-rated VAT status on its purchases.

The company paid down P2 billion of its bank debts in 2014 from internally generated funds. It successfully negotiated new term-loan facilities to refinance its debts with a lower fixed interest rate and principal maturities ranging from 7 to 10 years or up to 2024 inclusive of 2 to 3 years grace period.

Results of Operation

Consolidated revenues grew by 38% over last year reaching Php8.317 Billion with sales from both sugar and alcohol products registering significant growths. Alcohol sales of Roxol led the biggest growth as it started full commercial operations this year with revenues hitting P1.919 Billion compared to only P377 Million the previous year. Consolidated gross income of P1.434 Billion was 11% lower than last year due to lower margins on sugar sales. The higher gross margins on alcohol sales partially mitigated the lower sugar margins.

Equity earnings from our associate company, Hawaiian-Philippine Company improved by 22% to P83 Million from P68 Million due to better margins from lower cost of sales.

Interest expenses decreased by 20% to P315 Million compared to last year's P391 Million. The company paid over P 2 Billion of its total bank loans, down from P7.86 Billion to P5.86 Billion. The company successfully negotiated new term-loan facilities to refinance its remaining P5.1 Billion term debts at a lower fixed interest of 4.5% with principal maturities from 7 to 10 years inclusive of 2 to 3 years grace period.

Consolidated net Income after tax improved by 27% to P615 Milllion compared to P485 Million the previous year. Net earnings per share is at P0.67 or 27% higher versus last year's P0.53 per share. Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) amounted to Php1.672 Billion.

**Financial Condition**

Consolidated total assets stands at Php14.700 Billion or P421 Million lower than last year's P15.121 Billion due to the decrease in current assets from improved turnover of trade receivables and inventories and from the revaluation increment of its land assets. Current assets of Php2.238 Billion was lower by 37% or Php1.319 Billion compared to last year's P3.557 Billion as improved collection efforts reduced trade receivables by 20% or P266 Million while aggressive sales and marketing reduced inventories by 64% or P1 Billion. Non-current assets increased by P.898 Billion due to revaluation increment of various land assets.

Other current asset is almost the same at Php468 Million as of September 30, 2014 and 2013.

Investment in shares of stock of an associate increased to Php627 Million from Php612 Million the previous period due to higher earnings of HPCo. Equity in net earnings for the year amounted to P83 Million compared to P68 million in 2013.

Deferred income tax liabilities, net increased to P1.057 Billion, an increase of 39% compared to P760 million last year, mainly due to the revaluation increment in properties.

Return on total assets (ROA) increased from 3.2% p.a. to 4.2% p.a.

The Group's Debt to Equity (DE) ratio further improved from last year's 1.72:1 to 1.12:1 while Debt Service Cover Ratio (DSCR) increased from 3.9:1 to 5.36:1 These are well above the banks' term-debt requirements of maximum 2.33:1 for DE and minimum 1.25:1 for DSCR.

The Group has a total of P4.1 Billion unsecured short-term (S-T) credit lines with various banks for its working capital requirements. Unused lines as of September 30, 2014 amount to P3.38 Billion. The total outstanding term-debt as of September, 2014 stood at P5.1 Billion secured by various assets under a mortgaged trust indenture (MTI). Total unpledged MTI assets available as security for future term debts is at P2.76 Billion.

Book value per share increased by 25% from P6.12 to P7.62 due to the continued profitability of the company and revaluation increment on properties. The company approved a minimum 35% annual dividend payout policy on net income payable semi-annually. Following this, it declared the first half of the dividends at P0.12 per share in September, 2014 and the second half in December 2014. Dividend yield based on beginning book value per share is at 3.9% p.a.

Total shareholder's equity of P6.928 Billion is 25% higher than last year's P5.561 Billion. Return on equity increased from 8.5% p.a. to 8.8% p.a.

***Batangas Operations***

Cenral Azucarera Don Pedro Inc.'s (CADPI) raw production for crop year 2013-2014 decreased by 7% to 2.511 million Lkg. versus last year's 2.706 million Lkg. Sugar recovery decreased from 1.91 Lkg/TC to 1.83 Lkg/TC. Refined sugar production was down to 2.057 million Lkg. versus 2.395 million Lkg. or a 14% decline due to lower sugar refining recovery.

***Negros Operations***

Central Azucarera de la Carlota Inc.'s (CACI) raw production for crop year 2013-2014 decreased by 12% to 3.473 million Lkg. versus last year's 4.119 million Lkg. due to unfavorable weather condition and lower sugar recovery. Sugar recovery decreased, from 2.137 Lkg/TC to 2.030 Lkg/TC also due to unfavorable weather condition and operational concerns.

Roxol Bioenergy Corp's (RBC) ethanol production for the year increased by 126% to 32.3 Million liters versus last year's 14.2 million liters as the company became fully operational in 2014. Alcohol yield increased by 113% from 227 liters to 256 liters per ton of molasses.

Top Five Performance Indicators

The Company's financial performance is determined to a large extent by the following key results:

1. Raw sugar production – a principal determinant of consolidated revenues and computed as the gross amount of raw sugar output of CADPI and CACI as consolidated subsidiaries and pertains to production capacity, ability to source sugar canes and the efficiencies and productivity of manufacturing facilities.

2. Refined sugar production – the most important determinant of revenues and computed as the gross volume of refined sugar produced by the CADPI refinery both as direct sales to industrial customers and traders or as tolling manufacturing service, limited by production capacity and by the ability of the Group to market its services to both types of customers.

3. Ethanol production and recovery– a measure of ethanol production yield compared to unit and cost of input and is computed as ethanol produced (in liters ) from each ton of molasses undergoing distillation and dehydration process.

4. Earnings before interest, taxes, depreciation and amortization (EBITDA) – the measure for cash income from operation and computed as the difference between revenues and cost of sales and operating and other expenses, but excluding finance charges from loans, income taxes and adding back allowances for depreciation and other non cash amortization.

5. Return on Equity – denotes the capability of the Group to generate returns on the shareholders" fund computed as a percentage of net income to total equity.

The table below, represents the key performance indicators of the Group over the last three (3) fiscal years:

| **Performance Indicators** | **2013-2014** | **2012-2013** | **2011-2012** |
|---|---|---|---|
| Raw sugar production | 5.984 M bags | 6.825 M bags | 6.491 M bags |
| Refined sugar production | 2.057 M bags | 2.395 M bags | 2.258 M bags |
| Ethanol Production | 32.258 M ltrs. | 14.217 M ltrs. | 11.123 M ltrs. |
| Milling recovery | 1.983 Lkg/TC | 2.040 Lkg/TC | 1.895 Lkg/TC |
| EBITDA | P1.672 billion | P1.806 billion | P1.615 billion |
| Return on equity | 9% | 8% | 11% |

Key Variable and Other Qualitative and Quantitative Factors

1. The company is not aware of any known trends, events or uncertainties that will result in or that are

reasonably likely to result in any material cash flow or liquidity problem.

2. The company is not aware of any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

3. The company is not aware of any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

4. The company is not aware of any known trend, events or uncertainties that will have material impact on sales.

5. The company is not aware of causes for any material changes from period to period in the financial statements.

**Plan of Operation**

In line with the continuing efforts of the sugar operations, ensure continuing viability of its business and address the adverse effects of the volatility of the sugar and alcohol strategies, among others:

1. Carrying out marketing programs to generate additional revenues from sales of alcohol , sugar and allied products and services;

2. Aggressive cane supply sourcing to increase millshare and minimize sourcing of raw sugar from third parties and

3. Implementing cost reduction programs, such as but not limited to reduction of personnel, reducing plant downtime, lower fuel cost by using cheaper alternative fuels, improving plant facilities to enable efficient plant utilization.

## FULL FISCAL YEAR 2012-2013 (as restated)

In December 2011, the Group's management started to implement new business strategies and action plans to improve operations and ensure long-term viability of the business.

Management directed all cost and profits centers to implement cost efficiency measures which resulted in a reduction in certain overhead expenses by at least 10% from last year and an increase in margins for this fiscal year 2013. Management also directed the plants to achieve operating efficiencies which also contributed to the increase in margins this fiscal year.

Management also negotiated with its creditor banks which resulted in the change of the interest rate from a fixed rate to a floating rate and additional three-year grace period on principal payments

Results of Operation

The company recorded a Total Revenue of Php 6.065 billion for the Fiscal Year ending September 30, 2013. This is 21% lower than the Group's sales of Php7.674 billion for the fiscal year ending September 30, 2012 due to the softening of the market. Consolidated raw sugar sales for the fiscal year amounted to Php1.577 billion while refined sugar sales totaled Php3.728 billion. The rest came from alcohol and molasses sales and refining services.

Cost of sales amounted to Php4.450 billion for the fiscal year 2013, a decrease by 25% from the Php5.957 billion in 2012 due to lower sales volume.

Equity in net earnings went up by 38% to P68 million for the fiscal year ending September 30, 2013, from P49 million for the fiscal year ending September 30, 2012, due to lower cost of production of an associate company.

Net interest costs decreased to P391 million this fiscal year versus P474 million in 2012 because of the Management's successful renegotiation of the term-loans with its creditor banks and the change in interest rate from fixed to floating rate.

The Group recorded a Net Income Before Tax (NIBT) of Php736 million, an increase of 33% over last year's P554 million. Provision for Income tax for this fiscal year was Php250 million versus the Group's net benefit from income tax of Php147 million in 2012.

The Group ended 2013 with a net income of P486 million versus Php701 million last fiscal year. Earning per share is at P0.53 or lower than the P0.77 per share recorded last fiscal year due to higher income tax payment.

For the Fiscal Year ending September 30, 2013, the Group recorded the highest, Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) amounting to Php1.806 billion compared to Php1.615 billion for the fiscal year September 30, 2012.

**Financial Condition**

Consolidated resources of the Group stands at Php15.12 billion from P14.35 billion, for the period ending September 30, 2013 and 2012 respectively. Consolidated current assets is Php3.556 billion, an increase by Php1.381 billion due increase in receivables by Php567 million and increase in inventory by 772 million. Current liabilities went down from P2.073 billion to P1.897 billion the same period last year due to lower short term loans and trade payables.

The Group's current ratio went up from 1.05:1.00 in September 2012 to 1.88:1.00 in September 2013. Debt to equity ratio for the period ending September 30, 2013 is at 1.72:1 which slightly higher than last year's 1.69:1.00 and still within the allowable 2.33:1 ratio required in the debt covenant with banks.
.
The Group has existing credit lines with banks for its working capital requirements. Unused working capital lines as at September 30, 2013 and September 30, 2012 from local banks amounted to P2.922 billion and P892 million, respectively.

Book value per share is P6.12 and P5.89 in September 30, 2013 and 2012, respectively.

There are no:

- Known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to results in the Company's material liquidity problem;

- Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations;

- Significant elements of income or loss that arose from continuing operations; and

- Seasonal aspects that had a material effect on the financial condition or results of operations.

Cash and cash equivalents is Php166 million and 164 million for September 30,2013 and 2012.

Total net receivables this period amounted to P1.371 billion from P804 million in September 2012, an increase of 71% as significant sales were made towards the end of the last quarter of the fiscal year due to the softening of the market.

Total inventories for the fiscal year ending September 30, 2013 was P1.55 billion, almost double that of last year's Php779 million. The increase was due to higher ending refined sugar inventory and alcohol.

Other current assets increase by 9% from Php427 million to Php468 million mainly due to increase in input

VAT.

Investment in shares of stock of an associate amounted to Php614 million from Php569 million in previous period due to higher earnings of HPCo this year. Equity in net earnings for the year amounted to P68 million compared to P49 million in September 2012.

Other non-current assets decreased to P16 million from P29 million due to reclassification of long-term portion of CADPI employees' loans to current portion.

Accounts payable and accrued expenses decreased to P667 million for the fiscal year ending September 30, 2013 or an 8% decrease from P727 million for the period ending September 30, 2012.

The non-current portion of long-term loan borrowings amounted to P6.677 billion was Php666 million higher than last year's Php6.011 billion due to the availment of Php800 million loan from BDO. As of September 30, 2013, the Group continues to meet the minimum DSCR required under the long-term loan agreements with certain creditor banks.

The net pension benefit obligation of the sugar subsidiaries increased to P225 million from P134 million last year, due to the adoption of the PAS 19.

Deferred income tax liabilities, net decreased to P760 million, compared to P782 million last year.

Total equity posted at P5.563 billion as at September 30, 2013, this is 4% higher than P5.352 billion as of September 30, 2012 due to the profitability of the company.

***Batangas Operations***

CADPI's raw production for crop year 2012-2013 decreased slightly to 2.706 million Lkg. versus 2.803 million Lkg. last crop year. Total cane tonnage milled for the period was lower at 1.418 million tons compared to 1.549 million tons cane milled last year. However, sugar recovery increased from 1.81 Lkg/TC to 1.91 Lkg/TC.

Refined sugar production went up to 2.395 million Lkg. versus 2.270 million Lkg. or 6% increase due to efficient plant operation and higher sugar refining recovery.

***Negros Operations***

CAC's raw production for crop year 2012-2013 increased by 12% to 4.119 million Lkg. versus 3.688 million Lkg. the prior crop year, due to good weather condition and efficient plant operations. Total tonnage for the period reached 1.921 million tons cane compared to 1.877 million tons last year. Sugar recovery increased, from 1.965 Lkg/TC to 2.137 Lkg/TC, also due to favorable weather condition during the planting season of crop year 2012-2013.

Top Five Performance Indicators

As maybe concluded in the foregoing description of the business of the Group, the Company's financial performance is determined to a large extent by the following key results:

- Raw sugar production – a principal determinant of consolidated revenues and computed as the gross amount of raw sugar output of CADPI and CACI as consolidated subsidiaries and pertains to production capacity, ability to source sugar canes and the efficiencies and productivity of manufacturing facilities.
- Refined sugar production – the most important determinant of revenues and computed as the gross volume of refined sugar produced by the CADPI refinery both as direct sales to industrial customers and traders or as tolling manufacturing service, limited by production capacity and by the ability of the Group to market its services to both types of customers.
- Raw sugar milling recovery – a measure of raw sugar production yield compared to unit of input and is computed as the fraction of raw sugar produced (in Lkg bags) from each ton of sugar cane milled

(Lkg/TC).

- Earnings before interest, taxes, depreciation and amortization (EBITDA) – the measure for cash income from operation and computed as the difference between revenues and cost of sales and operating and other expenses, but excluding finance charges from loans, income taxes and adding back allowances for depreciation and other non cash amortization.

- Return on Equity – denotes the capability of the Group to generate returns on the shareholders" fund computed as a percentage of net income to total equity.

The table below, presenting the top five performance indicators of the Group in three (3) fiscal years, shows the financial and operating results:

| **Performance Indicators** | **2012-2013** | **2011-2012** | **2010-2011** |
|---|---|---|---|
| Raw sugar production | 6.825 M bags | 6.491 M bags | 6.109 M bags |
| Refined sugar production | 2.395 M bags | 2.258 M bags | 2.137 M bags |
| Ethanol Production | 14.217 M ltrs. | 11.123 M ltrs. | Nil |
| Milling recovery | 2.040 Lkg/TC | 1.895 Lkg/TC | 1.880 Lkg/TC |
| EBITDA | P1.806 billion | P1.715 billion | P793 million |
| Return on equity | 8% | 11% | -7% |

Key Variable and Other Qualitative and Quantitative Factors

1.The company is not aware of any known trends, events or uncertainties that will result in or that are reasonably likely to result in any material cash flow or liquidity problem.

2.The company is not aware of any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

3.The company is not aware of any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

4.Description of material commitments for capital expenditures.
The Group had an allocation of 184 million in capital expenditures for crop year 2012-2013 of which P111 million is for CADPI for the integrated mill and refinery operations, P39 million for CACI and P35 million for RBC.

5.The company is not aware of any known trend, events or uncertainties that will have material impact on sales.
6.The company is not aware of causes for any material changes from period to period in the financial statements.

**Plan of Operation**

In line with the continuing efforts of the sugar operations, ensure continuing viability of its business and address the adverse effects of the volatility of the sugar and alcohol strategies, among others:

1. Carrying out marketing programs to generate additional revenues from sales of alcohol , sugar and allied products and services

2. Increasing mill share to minimize sourcing of raw sugar from third parties; and

3. Implementing cost reduction program in its, such as but not limited to the reduction of personnel, fuel cost by reducing downtime, improving plant facilities to enable efficient plant utilization and miximizing the use of cheaper fuel alternatives, etc.

## FULL FISCAL YEAR 2011-2012

On February 2, 2011, the Board of Directors (BOD) of the company and its subsidiaries (Roxas Group or Company) approved the amendment on the Group's By-Laws changing the accounting period from fiscal year ending June 30, to September 30 of each year. The change in accounting period of the Company was approved by the Securities and Exchange Commission (SEC) on March 3, 2011. The change in accounting period of the Company's subsidiaries was approved by SEC on various dates in 2011.

In December 2011, the Group's management started to implement new business strategies and action plans to improve operations and ensure long-term viability of the business.

Management directed all cost and profits centers to implement cost efficiency measures which resulted in a reduction in certain overhead expenses by at least 10% from last year and an increase in margins for this fiscal year 2012. Management also directed the plants to achieve operating efficiencies which also contributed to the increase in margins this fiscal year.

Management also negotiated with its creditor banks which resulted in the change of the interest rate from a fixed rate to a floating rate and additional three-year grace period on principal payments

<u>Results of Operation</u>

The company recorded a Total Revenue of Php7.674 billion for the Fiscal Year ending September 30, 2012. This is 3% lower than the Group's audited sales of Php7.910 billion for the fiscal year ending June 30, 2011. For the period July to September 30, 2011, total revenue amounted to Php1. 403 billion. Audited Consolidated raw sugar sales for the fiscal year ending September 30, 2012, amounted to Php3.648 billion while refined sugar sales totaled Php3.008 billion. The rest came from alcohol and molasses sales and refining services.

Cost of sales amounted to Php5.957 billion for the fiscal year ending September 30, 2012 a decrease by 22% from the audited figure of Php7.684 billion for the fiscal year ending June 30, 2011.This is due to lower production cost and lower cost of buying raw sugar. Interim cost of sales for the period July to September 30, 2011 amounted to Php1.843 billion.

Operating expenses for the fiscal year ending September 30, 2012 amounted to Php905 Million versus Php601 Million for the period ending June 30, 2011. This increase is due to the redundancy program, provision for doubtful accounts and provisions for taxes. For the interim period ending September 30, 2011, operating expenses amounted to Php167 million.

Equity in net earnings went down by 72% to P49 million for the fiscal year ending September 30, 2012, from P177 million for the fiscal year ending June 30, 2011, due to lower sugar sales and production and low cane tonnage of an associate company. Interim figure for the period July-September 30, 2011 was equity loss of (Php18) million.

Net interest costs decreased to P468 million this fiscal year versus P609 million for the fiscal year period ending June 30, 2011, because of the Management negotiation with the creditor banks and the change in the interest rate from fixed rate to a floating rate. Net interest cost for the interim period July-September 30, 2011 amounted Php182 million.

From a loss before tax of Php739 million for the fiscal year ending June 30, 2011 and Php759 million for the interim period July – September 30, 2011, the company made a big turnaround with an income before income tax for fiscal year ending September 30, 2012 amounting to P506 million. The Group's net benefit from income tax was Php161 million versus provision for taxes of Php3 million and Php6 million for the fiscal year ending June 30, 2011 and interim period July-September 30, 2011, respectively.

The Group ended the period with a net Income of P667 million versus net losses of Php742 million and Php766 million for the fiscal year ending June 30, 2011 and interim period July-September 30, 2011, respectively. This is equivalent to an earnings per share of P0.73 in September 30, 2012 and a loss per share of P0.81 for the fiscal year ending June 30, 2011 and P0.84 per share for the interim period July-

September 30, 2011.

For the Fiscal Year ending September 30, 2012, the Group recorded the highest, Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) amounting to Php1.615 billion compared to Php240 million for the fiscal year ending June 30, 2011 and negative EBITDA of Php327 million for the interim period July to September 30, 2011.

**Financial Condition**

Consolidated resources of the Group stands at Php14.378 billion from P15.346 for the period ending September 30, 2012 and 2011 respectively. Consolidated current assets and liabilities went down from P2.849 billion to P2.175 billion and from P9.929 billion to P2.072 billion the same period last year, respectively.

The Group's current ratio went up from 0.29:1.00 in September 2011 to 1.05:1.00 in September 2012. Debt to equity ratio for the period ending September 30, 2012 is at 1.66:1 which is still within the allowable 2.33:1 ratio required in the debt covenant with the banks. Compared to 2.09:1.00 as of June 30, 2011.
.
The Group likewise has existing credit lines/facilities with banks to meet working capital requirements. Unused working capital lines as at September 30, 2012 and September 30, 2011 from local banks amounted to P892 million and P862 million, respectively.

Book value per share is P5.96 and P5.14 in September 30, 2012 and 2011, respectively.

There are no:

- Known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to results in the Company's material liquidity problem;
- Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations;
- Significant elements of income or loss that arose from continuing operations; and
- Seasonal aspects that had a material effect on the financial condition or results of operations.

Cash and cash equivalents went down from P319 million in September 30, 2011 to P164 million for the fiscal year ending September 30, 2012, due to payments of short-term loans availments. This is P205 million lower than fiscal year ending June 30, 2011. Short term loans was P1.148 billion, P2.738 billion and P3.220 billion for the period ending September 30, 2012 & 2011 and June 30, 2011, respectively.

Total receivables, net this period amounted to P804 million from P559 million in September 2011, an increase of 43% due to the re-entry of institutional customers. This is Php142million higher than ending June 30, 2011.

Total inventories for the fiscal year ending September 30, 2012 was P779 million, 52% lower versus the period ending September 30, 2011 and 70% lower than June 30, 2011. The decrease was due to lower raw sugar inventory, sugar withdrawal by customers, contributed to the substantial decrease.

The 29% increase in prepayments to Php 427 million was due to higher creditable withholding taxes from P84 million to P147 million in 2011 as the subsidiaries were in a taxable loss and/or minimum corporate income tax position this year. Likewise, input VAT and other prepaid taxes were higher in the current year due to the expansion project and ethanol plant construction. Total prepayments and other assets amounted to P332 million from P333 million for period ending September 30 and June 30 2011.

Investment in shares of stock of an associate amounted to Php569 million from Php686 million in previous period due to declaration of cash dividend of an associate, HPCo. this year. Equity in net earnings for the year amounted to P49 million compared to P18 million equity loss in September 2011. The figure as of June 30, 2011 stands at P704 million.

Net pension plan assets of Roxas Holdings, Inc. increased by 1% to P129 million from P128 million due to increase in pension obligation this year. Total benefits paid amounted to P144 million.

Other non-current assets increased to P29 million from P25 million due to reclassification of long-term portion of CADPI employees" loans to current portion.

Accounts payable and accrued expenses increased to P673 million fiscal year ending September 30, 2012 or a 13% increase from P594 million for the period ending September 30, 2011 and 26% higher than the figure of P535 million for the fiscal year ending June 30, 2011 due to accruals bonuses.

Customers's deposit went down from P153 million for the period ending September 30, 2011 to P54 million this ending September 30, 2012. And 53% lower than June 30, 2011 figure of P115 million. This is due to the slowdown in customer's withdrawal of sugar.

Due to the three year grace period granted by creditor banks, the non-current portion of long-term loan borrowings amounting to P6.010 billion was presented as Long Term loans for the fiscal year ending September 30, 2012. The reclassification last year was a consequence of the breach of the negative covenant on the Debt Service Coverage Ratio (DSCR) because of the loss recorded during the fiscal year. As of September 30, 2012, the Group met the minimum DSCR required under the long-term loan agreements with certain creditor banks.

Since the loss is just a temporary set-back brought about by the volatility of the prices and which did not affect the capability of the Company to service its maturing obligations with the banks. The Group was able to obtain from the creditor banks their waivers for the breach of the covenant on the DSCR for the interim period ended September 30, 2011.

The net pension benefit obligation of the sugar subsidiaries increased to P86 million due to the redundancy program initiated by the company.

Deferred income tax liabilities, net increased to P795 million or 2% higher compared to P777 million last year and 3% higher than the period ending June 30, 2011 of P772 million. This was due to recognition of deferred tax liability on the revaluation increment on properties of the holding company.

Total equity posted at P5.414 billion as at September 30, 2012, this is slightly higher than P5.405 billion as of June 30, 2011 and 17%higher versus the period July-September 2011 of P4.640 billion due to the profitability of the company.

***Batangas Operations***

CADPI"s raw production for crop year 2011-2012 increase slightly to 2.803 million Lkg. versus 2.776 million Lkg. in prior crop year. Total tonnage for the period reached 1.549 million tons cane compared to 1.491 million tons cane milled last year. However, sugar recovery dropped from 1.86 Lkg/TC to 1.81 Lkg/TC.

The overall production of Southern Luzon, i.e., Batangas, Cavite and Laguna has dropped by 3%. Our increase in production was mainly due to a more efficient raw sugar factory operations as compared to last year. As a result, production of our competitor mill has dropped by 24% and we were able to increase our cane share of Southern Luzon from 77% to 82%.

Refined sugar production also went up to 2.266 million Lkg. versus 1.970 million Lkg. or 15% increase due to efficient plant operation.

***Negros Operations***

CAC's raw production for crop year 2011-2012 increase to 3.688 million Lkg. versus 3.332 million Lkg. in prior crop year, due to good weather condition and efficient plant operations. Total tonnage for the period reached 1.877 million tons cane compared to 1.757 million tons cane milled last year. Sugar recovery increased, from 1.897Lkg/TC to 1.965 Lkg/TC, also due to favorable weather condition during the planting season of crop year 2011-2012.

Top Five Performance Indicators

As maybe concluded in the foregoing description of the business of the Group, the Company's financial performance is determined to a large extent by the following key results:

- Raw sugar production – a principal determinant of consolidated revenues and computed as the gross amount of raw sugar output of CADPI and CACI as consolidated subsidiaries and pertains to production capacity, ability to source sugar canes and the efficiencies and productivity of manufacturing facilities.
- Refined sugar production – the most important determinant of revenues and computed as the gross volume of refined sugar produced by the CADPI refinery both as direct sales to industrial customers and traders or as tolling manufacturing service, limited by production capacity and by the ability of the Group to market its services to both types of customers.

- Raw sugar milling recovery – a measure of raw sugar production yield compared to unit of input and is computed as the fraction of raw sugar produced (in Lkg bags) from each ton of sugar cane milled (Lkg/TC).

- Earnings before interest, taxes, depreciation and amortization (EBITDA) – the measure for cash income from operation and computed as the difference between revenues and cost of sales and operating and other expenses, but excluding finance charges from loans, income taxes and adding back allowances for depreciation and other non cash amortization.

- Return on Equity – denotes the capability of the Group to generate returns on the shareholders" fund computed as a percentage of net income to total equity.

The table below, presenting the top five performance indicators of the Group in three (3) fiscal years, shows the financial and operating results:

| **Performance Indicator** | **2011-2012** | **2010-2011** | **2009-2010** |
|---|---|---|---|
| Raw sugar production | 6.491 M bags | 6.109 M bags | 6.947 M bags |
| Refined sugar production | 2.258 M bags | 2.137 M bags | 3.324 M bags |
| Milling recovery | 1.895 Lkg/TC | 1.880 Lkg/TC | 2.09 Lkg/TC |
| EBITDA | P1.715 billion | P793 million | P1.011 billion |
| Return on equity | 11% | -7% | 5% |

Key Variable and Other Qualitative and Quantitative Factors

1.The company is not aware of any known trends, events or uncertainties that will result in or that are reasonably likely to result in any material cash flow or liquidity problem.

2.The company is not aware of any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

3.The company is not aware of any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

4.Description of material commitments for capital expenditures.
The Group had an allocation of P91 million in capital expenditures for crop year 2011-2012 of which P67 million is for CADPI for the integrated mill and refinery operations, P22 million for CACI and P2 million for

RBC.

5.The company is not aware of any known trend, events or uncertainties that will have material impact on sales.

6.The company is not aware of causes for any material changes from period to period in the financial statements.

**Plan of Operation**

In line with the continuing efforts of the sugar operations, ensure continuing viability of its business and address the adverse effects of the volatility of the sugar and alcohol strategies, among others:

- Carrying out marketing programs to generate additional revenues from sales of alcohol , sugar and allied products and services
- Increasing mill share to minimize sourcing of raw sugar from third parties; and
- Implementing cost reduction program in its, such as but not limited to the reduction of personnel, fuel cost by reducing downtime, improving plant facilities to enable efficient plant utilization and miximizing the use of cheaper fuel alternatives, etc.
- miximizing the use of cheaper fuel alternatives, etc.

## PART IV – MANAGEMENT AND CERTAIN SECURITY HOLDERS

A. Directors and Executive Officers of the Issuer.

Board of Directors & Corporate Secretary.

**Pedro E. Roxas** is 58 years old and is a Filipino. He has been a member of the Board of Directors since year 1982. Mr. Roxas is the Chairman of the Board of Directors and is the Chairman of the Executive Committee and the Nomination, Election & Governance Committee. He is also the Chairman of the subsidiaries of the Company, namely CADPI, CACI, and Roxol. Mr. Roxas is likewise the Executive Chairman and the President & CEO of Roxas & Co., Inc., Chairman of Hawaiian Philippine Company, Club Punta Fuego and Fuego Land Corporation, President of Fundacion Santiago, Chairman of the Philippine Sugar Millers Association, Inc., an Independent Director of Philippine Long Distance Telephone Company (PLDT) and the Manila Electric Company (Meralco), and Banco de Oro (BDO) Private Bank, Director of Brightnote Assets Corporation and a Trustee of Philippine Business for Social Progress. Mr. Roxas was educated at Portsmouth Abbey School, Rhode Island, U.S.A. and at the University of Notre Dame in Indiana, USA. where he obtained his degree in Business Administration.

**Manuel V. Pangilinan** is 68 years old and is a Filipino. He was elected to the Board of Directors on 3 December 2013 and is the Vice-Chairman of the Board of Directors, a member of the Executive Committee and the Chairman of the Compensation Committee. Mr. Pangilinan founded First Pacific in 1981 and served as Managing Director until 1999. He was appointed Executive Chairman until June 2003, when he was named as CEO and Managing Director. Within the First Pacific Group, he holds the positions of President Commissioner of P. T. Indofood Sukses Makmur Tbk, the largest food company in Indonesia.

In the Philippines, Mr. Pangilinan is the Chairman of the Philippine Long Distance Telephone Company (PLDT) and the Manila Electric Company (Meralco), He is also the Chairman of Smart Communications Incorporated, PLDT Communications and Energy Ventures Incorporated (formerly Piltel), Beacon Electric Asset Holdings Incorporated, Metro Pacific Investments Corporation, Landco Pacific Corporation, Medical Doctors Incorporated, Colinas Verdes Corporation (operating the Makati Medical Center and Cardinal Santos Medical Center) Davao Doctors Incorporated, Riverside Medical Center Incorporated in Bacolod City, Our Lady of Lourdes Hospital, Asian Hospital, Incorporated, Maynilad Water Services Corporation (Maynilad) Mediaquest Incorporated, Associated Broadcasting Corporation (TV5), Philex Mining Corporation and Manila Tollways Corporation

Outside the First Pacific Group, Mr. Pangilinan was a member of the Board of Overseers of the Wharton School of Finance & Commerce, University of Pennsylvania, USA. He was Chairman of the Board of Trustees of the Ateneo de Manila University. He is currently the Chairman of the Board of Trustees of San Beda College. He also serves as Chairman of PLDT-Smart Foundation, Inc. and the

Philippine Business for Social Progress. He also serves as Chairman of the Hong Kong Bayanihan Trust, a non-stock, non-profit foundation which provides vocational, social and cultural activities for Hong Kong's foreign domestic helpers. On February 5, 2007, Mr. Pangilinan was named the President of the Samahang Basketbol ng Pilipinas (SBP), a national sport association for basketball. In January 2009, Mr. Pangilinan also assumed the Chairmanship of the Amateur Boxing Association of the Philippines (ABAP), a governing body of the amateur boxers in the country. Also, in October 2009, Mr. Pangilinan was appointed as Chairman of the Philippine Disaster Recovery Foundation (PDRF), a non-stock non-profit foundation established to formulate and implement a reconstruction strategy to rehabilitate and rebuild areas devastated by recent floods and other calamities. Mr. Pangilinan is Chairman of the Philippine Business for Social Progress (PBSP), a social action organization made up of the country's largest corporations, Vice-Chairman of the Foundation for Crime Prevention, a private sector group organized to assist the government with crime prevention, and a member of the Board of Trustees of Caritas Manila and Radio Veritas-Global Broadcasting Systems, Inc., a former Commissioner of the Pasig River Rehabilitation Commission and a former Governor of the Philippine Stock Exchange. In June 2012, he was appointed as Co-Chairman of the newly organized US-Philippines Business Society, a non-profit society which seeks to broaden the relationship between the United states and the Philippines in the areas of trade, investment, education, foreign and security policies and culture.

Mr. Pangilinan has received numerous prestigious awards including Ten Outstanding Young Men of the Philippines (TOYM) Award for International Finance (1983), The Presidential Pamana ng Pilipino Award by the Office of the President of the Philippines (1996), Best CEO in the Philippines by the Institutional Investor (2004), CEO of the Year (Philippines) by Biz News Asia (2004), People of the Year by People Asia Magazine (2004), Distinguished World Class Businessman Award by the Association of Makati Industries, Inc. (2005), Management Man of the Year by the Management Association of the Philippines (2005), Order of Lakandula (Rank of Komandante) by the Office of the President of the Philippines (2006). He was voted as Corporate Executive Officer of the Year (Philippines) and Best Executive (Philippines) at the 2007 and 2008 Best-Managed Companies and Corporate Governance Polls conducted by Asia Money. Most recently, Mr. Pangilinan received the Best CEO award from Finance Asia Magazine (2012) and the Executive of the Year Award from the Philippine Sports Writers Association (PSA) (2014).

Mr. Pangilinan has been awarded four (4) Honorary Doctorate degrees in Humanities (Honoris Causa). First to confer him was San Beda College in 2002; second was the Xavier University in 2007; Holy Angel University in Pampanga in 2009 and the Far Eastern University in 2010. Mr. Pangilinan graduated cum laude from the Ateneo de Manila University, with a Bachelor of Arts Degree in Economics and his Master's degree in Business Administration from Wharton School of Finance and Commerce, University of Pennsylvania, Philadelphia, USA.

**Renato C. Valencia** is 72 years old and is a Filipino. He has been a member of the Board of Directors since 24 November 2004 and was elected Chief Executive Officer on 27 October 2011 and as President on 1 December 2011. Mr. Valencia is the Chairman of i-People, Inc., and a Director of Metropolitan Bank & Trust Company, Anglo Philippine Holdings Corporation, House of Investments, Inc., Roxas and Company, Inc., Malayan Insurance Company, Inc. and Vulcan Industrial and Mining Corporation. Mr. Valencia obtained his degree in Bachelor of Science in General Engineering from the Philippine Military Academy and his Master in Business Management from the Asian Institute of Management.

**Santiago R. Elizalde** is 50 years old and is a Filipino. He has been a member of the Board of Directors since year 2000 and is a member of the Compensation Committee. Mr. Elizalde is the Chairman of the 24 Hour Vendo Machine Corporation, Vice-Chairman and member of the Executive Committee of ELRO Commercial & Industrial Corporation, and Club Punta Fuego, Inc. He is also the President of CGB Condominium Corporation and Fuego Hotels and Management Corporation, Executive Vice-President of Roxaco Land Corporation and a Director of Roxas Foundation, Inc., Central Azucarera Don Pedro, Inc., Central Azucarera de la Carlota, Inc., ELRO Land Corporation, Punta Fuego Village Homeowners Association, Punta Fuego Village Foundation, Terrazas de Punta Fuego Village Homeowners Association, and Fundacion Santiago. Mr. Elizalde obtained his Bachelor of Arts in Economics from Denison University in Ohio, USA.

**Geronimo C. Estacio** is 69 years old and is a Filipino. He has been a member of the Board of Directors since 25 March 2009 and is the Chairman of the Audit & Risk Committee and a member of the Compensation Committee. Mr. Estacio is a Consultant of the Overseas International Organization since 2011. He was formerly the Dean of the College of Business Administration of the University of the East, a consultant to the Chairman & CEO and Vice-President for Finance of ABS-CBN Broadcasting Corporation, a Director for Regional Controls for Asia of the Procter & Gamble Company, a member of the Board of Directors of P&G Australia, P&G New Zealand, Max Factor Australia, Max Factor New Zealand, Noxell, Shulton, Australia and Shulton, New Zealand, P&G Philippines, Norwich Philippines and a Trustee of P&G Philippines Pension Plan, among others. Mr. Estacio was also formerly the CFO of Procter & Gamble Philippines and Procter & Gamble Australia/New Zealand. He graduated Magna Cum Laude from the University of the East, College of Business Administration and is a Certified Public Accountant. Mr. Estacio is an Independent Director and he has possessed all the qualifications and none of the disqualifications of a Director since he was first nominated and elected as an Independent Director of RHI.

**David L. Balangue** is 63 years old and is a Filipino. He has been a member of the Board of Directors since 15 February 2012 and is a member of the Executive Committee, the Audit & Risk Committee and the Nomination, Election & Governance Committee. Mr. Balangue was formerly the Chairman & Managing Partner of SyCip Gorres Velayo & Co., CPA's (SGV), a Philippine member firm of Ernst & Young. He is currently the Chairman of the Makati Commercial Estate Association (MACEA), Philippine Center for Population and Development, Coalition Against Corruption and the Philippine Financial Reporting Standards Council, Co-Vice-Chairman of the National Movement For Free Elections (Namfrel) and the President of the Makati Parking Authority (MAPA) and the Halcyon TCMers, Inc. He is also an Independent Director of Trans-Asia Oil and Energy Development Corporation, Philippine Bank of Communications, Omnipay, Inc., Maybank ATR King Eng Capital Partners, Inc. and Unistar Credit & Finance Corporation. A non-executive Director of Manufacturer's Life Insurance (Philippines) Co., Inc., and Manufacturer's Financial Plans, Inc., a consultant at the Philippine Deposit Insurance Co., Inc. and Ayala Land, Inc., a Board Trustee of the Philippine Center for Population and Development and the Habitat for Humanity Foundation-Philippines and a Director of the Manila Polo Club. Mr. Balangue obtained his degree in Bachelor of Science, major in Accounting, Magna Cum Laude, from the Manuel L. Quezon University and his Master of Management, major in Finance, from the Graduate School of Management, Northwestern University in Evanston, Illinois, USA. He placed second in the CPA Board Examinations of 1972. Mr. Balangue is an Independent Director and he has possessed all the qualifications and none of the disqualifications of a Director since he was first nominated and elected as an Independent Director of RHI.

**Ray C. Espinosa** is 58 years old and is a Filipino. He was elected to the Board of Directors on 3 December 2013 and is a member of the Nomination, Election & Governance Committee. Atty. Espinosa is the Chairman of Philstar Daily, Inc., and Businessworld Publishing, Inc., and the Vice-Chairman of the Board of Trustees of the PLDT Beneficial Trust Fund. He is also an Associate Director of First Pacific Company Limited and the Head of Government Regulatory Affairs and Head of Communications Bureau for the Philippines. He also serves as a Director of Philippine Long Distance Telephone Company (PLDT), Manila Electric Company (Meralco), Meralco PowerGen Corporation, Wolfpac Mobile, Inc. and Metro Pacific Investments Corporation, and an Independent Director of Lepanto Consolidated Mining Corporation. He also serves as General Counsel of Manila Electric Company (Meralco) and Head of Regulatory Affairs and Policy and Group Joint Executive Committee of Philippine Long Distance Telephone Company (PLDT). Prior to joining the PLDT Group in 2000, Atty. Espinosa was a law partner in SyCip Salazar Hernandez & Gatmaitan until June 2000, the largest law firm in the Philippines, and was a member of the firm's Executive Committee. He was a law lecturer at the Ateneo de Manila School of Law from 1983 to 1985 and in 1989. Atty. Espinosa finished his Bachelor of Laws degree at the Ateneo de Manila University, graduating salutatorian, and his Master of Laws degree at the University of Michigan Law School. After finishing his Master of Laws degree, he worked as a foreign associate in Covington & Burling, the largest law firm in Washington, D.C., USA, from September 1987 to August 1988. Atty. Espinosa placed first in the Philippine Bar Examinations of 1982.

**Alex Erlito S. Fider** is 61 years old and is a Filipino. He was elected to the Board of Directors on 3 December 2013 and is a member of the Audit & Risk Committee. Atty. Fider graduated from the University of the Philippines with degrees in Economics and Law. He was admitted to the Philippine Bar in 1985. He undertook specialized courses in Strategic Economics and Corporate Governance in the Philippines and Australia, respectively. His legal experience spans twenty-nine (29) years of involvement in corporate transactions and projects. His legal work extends to an array of corporate and financial matters to companies involved in public infrastructure, water, and power utilities, telecommunications, mass media, banking and finance, real estate development, and agriculture. He is a specialist in the various fields of commercial, civil, telecommunications and public utilities law. Atty. Fider is a Director and Corporate Secretary of several Philippine corporations, including Metro Pacific Tollways Corporation, Metro Pacific Tollways Development Corporation, Manila North Tollways

Corporation, Tollways Management Corporation, Smart Communications, Inc. and Maynilad Water Services, Inc. He is actively involved in the Financial Executives Institute of the Philippines (FINEX) and Institute of Corporate Directors of which he is a Fellow.

**Carlos R. Elizalde** is 46 years old and is a Filipino. He has been a member of the Board of Directors since 19 February 2014. Mr. Elizalde is the President of ELRO Commercial & Industrial Corporation, company engaged in the business of sugar, ELRO Land, Inc. and 24 Hour Vendo Machine Corporation. Mr. Elizalde obtained his degree in Bachelor of Science in Agriculture Economics at the University of Vermont, Ohio, USA.

**Gemma M. Santos** is 52 years old and is a Filipino. She has been Corporate Secretary of the Company since 19 February 2014. Atty. Santos is a director of the Philippine Associated Smelting & Refining Corporation (PASAR) and also serves as Corporate Secretary of various Philippine corporations, including publicly-listed corporations Vista Land & Lifescapes, Inc. and Max's Group, Inc. She is a practicing corporate lawyer and a Senior Partner in Picazo Buyco Tan Fider & Santos Law Offices. She was admitted to the Philippine Bar in 1986. She graduated from the University of the Philippines with the degree of Bachelor of Laws in 1985, and with the degree of Bachelor of Arts, major in History, in 1981.

The directors hold office for one (1) year from election until their successors are elected and qualified.

Board of Advisors:

**Vicente S. Perez** is 56 years old and is a Filipino. He was elected as a member of the Board of Advisors on 25 March 2009. Mr. Perez is presently the President of Alternergy Partners, a renewable power company for emerging Asian countries and is Chairman of Merritt Partners, an energy advisory firm. He was Philippine Energy Minister from June 2001 to March 2005. He served briefly in year 2001 as Undersecretary for Industry at the Department of Trade and Industry. Mr. Perez founded Next Century Partners in 1997, a private equity firm based in Singapore. In 2000, he founded Asian Conservation Company which acquired El Nido Resort. He is currently an Independent Director of SM Investments Corporation and of ST Telemedia. He is the Chairman of WWF-Philippines, a member of WWF International Board and a Vice-Chair of Stiftung Solarenergie. Mr. Perez is on the Advisory Boards of Coca-Cola FEMSA (KOF), the Geneva based Pictet Clean Energy Fund and the Yale Center for Business and Environment. He has consulted for ADB and IFC on renewable energy policy and was Vice-Chairman of the National Renewable Energy Board. Mr. Vicente S. Perez obtained his degree in Business Economics from the University of the Philippines and his Master of Business Administration at the Wharton Business School of the University of Pennsylvania, USA.

**Senen C. Bacani** is 69 years old and is a Filipino. He was formerly a member of the Board of Directors and was elected as a member of the Board of Advisors on 11 December 2013. Mr. Bacani is the President of Ultrex Management & Investments Corp., Chairman & President of La Frutera, Inc., Chairman of Trully Natural Food Corporation, a Director of Swift Foods, Inc., AgriNature, Inc., Philippine Chamber of Agriculture & Food, Inc., Philippine Chamber of Food Manufacturers, Inc., Icebox Logistics Services, Inc., a member of the Board of Advisors of East West Seed Philippines, Inc., a Private Sector Representative of APEC Policy Partnership on Food Security. ABAC Philippines, a member of the Board of Trustees of the Philippine Rice Research Institute and the Vice-Chairman of the Technical Advisory Committee of the PCARRD (DOST), among others. Mr. Bacani obtained his degree in Bachelor of Science in Commerce at the De La Salle University and his Masters in Business Administration at the University of Hawaii, USA.

Corporate Officers.

**Pedro E. Roxas** (See above.)

**Manuel V. Pangilinan** (See above.)

**Renato C. Valencia** (See above.)

**Archimedes B. Amarra** is 63 years old and is a Filipino. He was appointed Executive Vice-President for Marketing/Trading on 01 December 2011 and was thereafter appointed as President & COO of CACI on 1 July 2013. Mr. Amarra was formerly a Board Member of the Sugar Regulatory

Administration, a member of the Board of Trustees of the Sugar Industry Foundation, Inc., member of the Sugar Advisory Council, the Executive Director of the Philippine Sugar Millers Association, Coordinator of the Philippine Sugar Alliance and Board Member of the Sugar Development Council. He has also rendered consultancy work for various organizations since 1989. Mr. Amarra obtained his degrees in BSC-Agribusiness Management and BSC-Accounting from the De La Salle College in Manila.

**Arcadio S. Lozada, Jr**. is 60 years old and is a Filipino. He was appointed as Executive Vice-President for Operations and Management Services of the Company and as President & COO of CADPI effective 1 January 2014. He was formerly the Vice-President for Manufacturing of Victorias Milling Corporation from August 2010 to December 2013, a Technical Manager of Bronzeoak Philippines, Inc. and an Engineering Manager at the Central Azucarera de Tarlac, among others. Mr. Lozada, is a licensed Mechanical Engineer and has completed a short course in Raw sugar manufacturing at the Nicholls State University in Louisiana, USA.

**Luis O. Villa-Abrille** is 66 years old and was appointed as President & COO of Roxol on 1 July 2013. He was also appointed as EVP Operations of CACI, and was thereafter appointed as Senior Vice-President for Quality Assurance and Business Development of the Company on 1 January 2014. He was formerly the Vice-President & Resident Manager of Green Future Innovations, Inc., the President & COO of San Carlos Bioenergy, Inc. and the Director for Operations of Bronzeoak Philippines, Inc., among others. Mr. Villa-Abrille obtained his BS Mechanical Engineering degree at the University of Sto. Tomas and is a licensed Mechanical Engineer.

**Armando B. Escobar** is 54 years old and is a Filipino. He is the CFO of Roxas & Company, Inc. and was appointed as Executive Vice-President for Finance of the Company on 1 June 2013. He was formerly the Group President and Chief Operating Officer of Moldex Group of Companies and Vitarich Corporation, Senior Vice President and Chief Operating & Special Accounts Management Group Head of Philippine Bank of Communications and a Director of Bancnet, Inc. Mr. Escobar obtained his Bachelor of Science in Business Management at the Ateneo de Manila University and his units in MBA at the University of the Philippines, his Executive Business Program at the Harvard Business School and his Post-Graduate course in Strategic Business Economics Program at the University of Asia and Pacific.

**Ramon M. de Leon** is 63 years old and is a Filipino. He was appointed Senior Vice-President for Human Resources on 1 February 2013. Mr. de Leon was formerly Managing Director of Ayala Corporation, Office of the Lead Director for Infrastructure. He is a thirty-two (32) year Human Resources veteran at the Ayala Group of Companies. Mr. de Leon obtained his degree in BS Industrial Engineering at the University of the Philippines and took up his Advance studies in Human Resource Executive Development in Cornell University in the United States and his Human Centered Management Course at the Asia Productivity Organization in Kyoto, Japan.

**Juan Miguel J. Araneta** is 56 years old and is a Filipino. He was appointed as Senior Vice-President for Supply Chain and Special Projects on 10 June 2013. Mr. Araneta was formerly the Chairman of North Cluster Producers Cooperative, the President of Jaggherry Commercial & Trading Corporation, Liquorland, Inc. and North Food Exchange. He worked at the Ministry of Social Development in New Zealand, was the General Manager of Century Park Hotel from 2000 to 2006, Advisor of Ernst & Young, Chief Operating Officer of Luisita Realty Corporation and an Account Officer at the Bank of the Philippine Islands. Mr. Araneta obtained his degree in Bachelor of Science in Management Honours Program at the Ateneo de Manila University and his Master’s degree in Management at the Arthur D. Little Management Education Institute in Cambridge, Massachusetts.

**Ferdinand Joseph Escobal** is 57 years old and is a Filipino. He was appointed as Senior Vice-President for Corporate Strategy and Planning on 25 November 2013. Mr. Escobal was formerly the Vice-President for Corporate Strategy & Reputation Management for the Aboitiz Group of Companies. He also has over thirty (30) years of strategy and reputation management experience with individuals, families, CEOs and their teams from multinationals and conglomerates in South East Asia and international development institutions such as the Aboitiz Group in the Philippines, the Ongko and Dharmala Groups in Indonesia, ADB-GTZ and PhilExport-CBI of Netherlands. Mr. Escobal obtained his degree in Economics at the Ateneo de Manila University and his Masteral Course in Applied Business Economics at the University of Asia & The Pacific. He also recently completed the Advanced Management Program (AMP) of the Southeast Asian Business Studies (SEAB), a joint initiative of the University of Asia & The Pacific, the Center for Research & Communication and IESE Business School of the University of Navarre, Barcelona. Mr. Escobal is also a Certified CBI Export Marketing and Management Expert and is the lead resource lecturer and facilitator for the Collins Vision Process for the Institute for Solidarity in Asia.

**Florencio M. Mamauag, Jr.** is 54 years old and is a Filipino. Atty. Florencio M. Mamauag, Jr. joined the Company in 1996. He is the Assistant Corporate Secretary, VP for Legal & Administration, Compliance Officer and Corporate Information Officer (CIO). He is also the Corporate Secretary and VP-Legal of Central Azucarera Don Pedro, Inc., Central Azucarera de la Carlota, Inc., Roxol Bioenergy Corporation, Najalin Agri-Ventures, Inc. and the other subsidiaries of RHI. Atty. Mamauag, Jr. obtained his degrees in Bachelor of Science in Accounting and Bachelor of Laws at the San Beda College in Manila. He is a CPA-Lawyer, a Professor of Law and a Bar Reviewer in Labor Law at the College of Law of San Beda College in Manila.

**Francisco Rondilla** is 51 years old and is a Filipino. He was appointed as VP for Information Technology & Systems and Methods on 16 December 2011 and as VP for Information, Instrumentation & Communication Technology on 02 September 2013. He was formerly the Managing Consultant of Hypercash Payment Systems, Inc., Project Manager of Datacraft Communication Systems, Inc. and the Vice-President of Micro-D Int'l, Inc., the Regional Support Manager of the Enterprise Network System (ENS) Division of Hughes Network Systems and the Department Head of the Network/Communications (NCD) IS Group of the Social Security System (SSS). He obtained his BS Mechanical Engineering from the Adamson University and is a registered Mechanical Engineer. Mr. Rondilla also took up computer programming courses at the National Computer Institute/University of the Philippines and obtained his Master's in Business Administration at the FEU-Makati MBA School.

**Eduardo A. de la Cruz** is 52 years old and is a Filipino. He was appointed as VP Comptroller on 6 August 2012 and as Risk Management Officer on 13 September 2012. He was formerly the Financial Comptroller of Ramcar Batteries International Ltd. and a Director for Asia, Process and Internal Control of CEMEX and Vice-President/Comptroller of Island Quarry & Aggregates Corporation and an Auditor of Sycip Gorres Velayo & Co. (SGV). Mr. de la Cruz obtained his degree in Bachelor of Science in Accounting at the Araullo University and his International Management Course at the Ft. Lauderdale, Florida, USA and his Basic Management Program and Enterprise Risk Management Program at the Asian Institute of Management.

**Thelma C. Rodriguez** is 60 years old and is a Filipino. She was appointed as AVP Internal Audit on 16 July 2012 and was subsequently promoted to VP Chief Internal Audit on 16 July 2013. Ms. Thelma C. Rodriguez was formerly a business consultant to entrepreneurs, the Chief Financial Officer of Advanced Contact Solutions, Inc., VP Finance of ACM Landholdings Inc. and Proprietress of TC Rodriguez Trading. She also worked as Auditor at the Sycip Gorres & Velayo (SGV) and as Chief Internal Auditor of the Maranaw Hotels & Resort Corporation. Ms. Thelma C. Rodriguez obtained her degree in Bachelor of Science in Commerce, major in Accounting, at the Ateneo de Davao University and her Master's in Business Administration at the Ateneo de Manila University Graduate School of Business.

**Felixberto T. Monasterio** is 57 years old and is a Filipino. He was appointed as VP Marketing/Trading on 16 March 2013 and as VP-Feedstock Supply on 02 December 2013. Mr. Monasterio was formerly the Executive Director of Sugar Master Plan Foundation, Inc., the Project Manager of the Central Luzon Ethanol Plant, Bonzeoak Philippines, Inc. and a Consultant of the Sugar Industry Groups. He was also the Area Head of the Lending Operations North Luzon Market of the Far East Bank and Trust Company. Mr. Monasterio obtained his degree in Bachelor of Science in Biology at the University of the Philippines in Diliman and his Diploma Course in Agribusiness Management as a TLRC scholar at the University of the Philippines in Los Banos, Laguna. He also studied Business Management for one (1) year at the Asian Institute of Management (AIM).

**Carlos C. Bengzon, Jr.** is 58 years old and is a Filipino. He was appointed as VP Treasury on 10 March 2014 and Chief Risk Officer on 18 March 2014. He was formerly the Chief Finance Officer of Primary Structures Corp./Primary Group of Builders, the Chief Finance & Administration Officer of EEI Power Corp./Equipment Engineers, Inc., Assistant to the President of Biomedix, Inc., Treasury Manager of Uni-President (Phils.) Corporation and Assistant Vice-President & Treasury Manager of San Miguel Corporation. Mr. Bengzon graduated from De La Salle University with a degree in Economics & Finance and obtained his Masters in Business Management from the Asian Institute of Management (AIM).

**Jesselyn P. Panis** is 48 years old and is a Filipino. She was appointed as VP Corporate Quality Assurance, Quality Control and Safety and as SVP of Roxol Bioenergy Corporation, a subsidiary of RHI, on 21 April 2014. Ms. Panis was previously affiliated with Wrigley Philippines where she served as its General Manager from 01 January 2010 to 31 May 2013, and Special Projects Director from 01 June 2009 to 31 December 2009, Director for External Manufacturing for Asia Pacific and Philippine Operations from 1 August 2008 to 30 May 2009, Factory Director from April 2005 to 1 August 2008 and Quality Assurance Manager from April 2001 to October 2004. Ms. Panis was also a Quality Assurance Specialist and Assistant Brewmaster for SMC Technical Services from July 1999 to April 2001. Ms. Panis also worked as a Quality Assurance Consultant for SMC Greater China Operations from February to June 1999, and was the Quality Assurance Manager for the San Miguel Shunde Brewery in Guandong, China from November 1996 to August 1998. Ms. Panis obtained her degree in Chemical Engineering from the De La Salle University in June 1986 and is a licensed Chemical Engineer.

**Frederick Reyes** is 53 years old and is a Filipino. He was appointed as AVP and Deputy Head of Human Resources effective on 01 February 2014. He was formerly the Director for Human Resources Services of Manila Water Company. He has a 29-year experience in HR Operations having been in Vitarich in charge of Training, QC & Employee Relations. In 1990 thru 1997, he joined Globe Telecom during its transition to become a 'wireless' telephone company in charge of Training and Development and also in Manila Water during its "privatization" years in 1997 thru 2012. Mr. Reyes obtained his degree in Industrial Engineering from the University of Sto. Tomas and is a licensed Industrial Engineer.

**George T. Cheung** is 41 years old and is a Filipino. He was appointed as SVP for Marketing & Trading on 5 January 2015. He was formerly a Managing Partner in Commodity Partners Pte, Ltd., Head of Domestic Coal Trading of Trafigura Investment China, Ltd, based in Shanghai, Associate Director & General Manager of Wilmar Sugar Pte. Ltd/Yihai Commercial Eagle Trading, General Manager at the Greater China Region of ED&F Man, a global supplier of sugar, and a Trading Manager of the Sugar Division in Hongkong of Cargill, among others. Mr. Cheung obtained his degree in Bachelor of Science in Food Sciences and Technology at the University of British Columbia in Vancouver, British Columbia, Canada, his Diploma in Business Administration at the International Correspondence Schools and his masters in Business Administration (MBA) Global Executive program at the Duke University in Durham, North Carolina, USA.Heads of Operating Subsidiaries.

**Jose Rojo G. Allisla** is 50 years old and is a Filipino. He was appointed as VP Agri-Industrial Research / Development and Farm Operations on 5 January 2015. Mr. Alisla was formerly the Construction Services Manager of PICOP, Project Development Officer on Agriculture, R&D, and Environment in the Provincial Government of Negros Occidental and the Office of the Presidential Adviser for Visayas, Chief of Staff to the Sugar Regulatory Administrator before he joined RHI as consultant. He obtained his BS Civil Engineering at the University of the Philippines, his MBA at the University of St. La Salle University in Bacolod.

**Paul Edwin V. Lazaro** is 37 years old and is a Filipino. He was appointed as AVP Internal Audit on 5 January 2015. Mr. Lazaro was formerly Internal Audit Group Head of Convergys Philippines and Senior Manager for Controls Assurance in the same company. He also worked with Philip Morris

Philippines and Ford Motors and also became the Regional Auditor for World CAT (PUMA). He obtained his BS Accountancy at the University of Sto. Tomas and MBA at the Ateneo Graduate School of Business.

**Archimedes B. Amarra** (See above.)

**Arcadio S. Lozada, Jr.** (See above.)

**Luis O. Villa-Abrille** (See above.)

Significant Employees.

The Company is not highly dependent on the services of an employee who is not an Executive Officer so as to be a key in the business

Family Relationships.

Messrs. Pedro E. Roxas, Santiago R. Elizalde and Carlos R. Elizalde are relatives within the fourth degree of consanguinity.

Involvement in Legal Proceedings.

Mr. Renato C. Valencia was impleaded as one of the respondents in a criminal complaint filed by Governor Luis “Chavit” Singson (Mr. Singson) before the Office of the Ombudsman and docketed as OMB-C-C-06-0585-J for violation of the Anti-Plunder Act (RA No. 7080) in relation to RA No. 3019, and for obstruction of justice. The criminal complaint was filed by Mr. Singson against the Board of Directors of the Bases Conversion Development Authority (BCDA) of which Mr. Renato C. Valencia was a member. The criminal complaint, however, was dismissed by the Office of the Ombudsman against all the respondents in its Resolution dated 30 January 2009 and 17 November 2010. The Resolutions dismissing the criminal complaint have become final.

Apart from the above, the Company is not aware of the existence of any legal proceeding/s, during the last five (5) years up to the present, involving the members of its Board of Directors, Executive Officers or their property before any court of law or administrative body in the Philippines or elsewhere. Moreover, the Company is not in possession of any information indicating that the members of its Board of Directors or Executive Officers have been convicted by final judgment of any offense punishable under the laws of the Philippines or of any other country.

B. Executive Compensation.

1. Compensation of Executive Officers.

| **Name and Principal Position** | **Year** | **Salary** | **Bonus** | **Other Annual Compensation** |
|---|---|---|---|---|
| Compensation of Executive Officers for fiscal year beginning October 2012 to September 2013. | | | | |
| Pedro E. Roxas - Chairman | 2012-13 | | | |
| A Renato C. Valencia - President & CEO | 2012-13 | | | |
| B Archimedes B. Amarra – EVP Marketing/Trading & President, CACI | 2012-13 | | | |
| C Armando B. Escobar - EVP-CFO | 2012-13 | | | |
| D Ramon M. de Leon – SVP-Human Resources | 2012-13 | | | |
| E Juan Miguel J. Araneta – SVP-Supply Chain, Logistics, Quality Assurance & | 2012-13 | | | |

| | | | | |
|---|---|---|---|---|
| Business Development | | | | |
| F CEO and top four (4) executives | 2012-13 | Php10,740,083.00 | Php5,598,972.00 | |
| G All officers & directors as a group unnamed | 2012-13 | Php25,580,995.00 | Php11,898,238.00 | Php11,545,289.00 * |
| | | | | |
| Compensation of Executive Officers for fiscal year beginning October 2013 to September 2014 | | | | |
| Pedro E. Roxas - Chairman | 2013-14 | | | |
| Manuel V. Pangilinan - Vice-Chairman | 2013-14 | | | |
| A Renato C. Valencia - President & CEO | 2013-14 | | | |
| B Archimedes B. Amarra – EVP Marketing/Trading & President, CACI | 2013-14 | | | |
| C Armando B. Escobar - EVP-CFO | 2013-14 | | | |
| D Arcadio S. Lozada, Jr. – EVP Operations & PCOO of CADPI | 2013-14 | | | |
| E Ramon M. de Leon – SVP-Human Resources | 2013-14 | | | |
| F CEO and top four (4) executives | 2013-14 | Php21,092,695.00 | Php6,828,977.00 | |
| G All officers & directors as a group unnamed | 2013-14 | Php53,142,080.00 | Php16,972,356.00 | Php6,843,500.00* |
| Estimated Compensation of Executive Officers for the ensuing fiscal year. | Oct-Sept 2014-15 | | | |
| Pedro E. Roxas - Chairman | 2014-15 | | | |
| A Renato C. Valencia - President & CEO | 2014-15 | | | |
| B Archimedes B. Amarra – EVP Marketing/Trading & President, CACI | 2014-15 | | | |
| C Armando B. Escobar - EVP-CFO | 2014-15 | | | |
| D Arcadio S.Lozada, Jr. – EVP Operations & President, CADPI | 2014-15 | | | |
| E Ramon M. de Leon – SVP Human Resources | 2014-15 | | | |
| F CEO and top four (4) executives | 2014-15 | Php23,201,964.00 | Php7,511,875.00 | |
| G All officers & directors as a group unnamed | 2014-15 | Php58,456,288.00 | Php18,669,590.00 | Php7,800,000.00* |

The Company changed its fiscal year from 1 July to 30 June of every year to 1 October to 30 September of every year effective year 2011.

* Fees and remuneration of the members of the Board of Directors and Board of Advisors.

2. Compensation of Directors.

Art. 19 of the By-Laws of the Company provides that the Board of Directors shall be given six percent (6%) of the net income of the Company before tax to be distributed as fees in the following manner: two percent (2%) to the Executive Committee and four percent (4%) to the Board of Directors. Each member of the Board of Directors and the Board of Advisors receives a per diem of Twenty Five Thousand Pesos (Php25,000.00) for every meeting attended. Each member of the Audit & Risk Committee, Compensation Committee and Nomination, Election & Governance Committee receives a per diem of Twenty Five Thousand Pesos (Php 25,000.00) for every meeting attended. Except for the Chairman, the members of the Executive Committee receive a per diem of Twenty Five Thousand Pesos (Php25,000.00) for every meeting attended. The Executive Committee meets every month.

On 16 January 2014, the Board of Directors approved a second Stock Option Plan (SOP) consisting of two percent (2%) of its authorized capital stock of One Billion Five Hundred Million (1,500,000,000) shares or a total of Thirty Million (30,000,000) shares from its unissued capital stock. The second SOP was offered and allocated to employees, executive officers, Board of Directors, Board of Advisors and Line Consultants of the Company.

There are no arrangements pursuant to which any director of the Company was compensated, or is to be compensated, directly, or indirectly, during the registrant's last completed fiscal year and the ensuing year for any service as a director. Likewise, there is no employment contract or any compensatory plan or arrangement between the Company and an executive officer.

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

(1) Security ownership of certain record and beneficial owners of more than 5% of Registrant securities as of 30 November 2014.

| *Title of Class* | *Name and Address of Owner/Relationship with Issuer* | *Name of Beneficial Ownership and Relationship with Record Owner* | *Citizenship* | *Number and Nature of Ownership* | *Percent of Class* |
|---|---|---|---|---|---|
| Common | Roxas & Company, Inc.<br><br>7/F CG Building, 101 Aguirre St., Legaspi Village, Makati City<br><br>(Shareholder) | Roxas & Company, Inc. | Filipino | 318,341,705 (r & b) | 35.00 % |
| Common | First Pacific Natural Resources Holdings BV<br><br>Prins Bernhardplein 200, 1097 JB Amsterdam, The Netherlands<br><br>(Shareholder) | First Pacific Natural Resources Holdings BV | Foreign | 309,197,760 (r & b) | 34.00 % |
| Common | PCD Nominee Corp.<br><br>37F, Tower 1, The Enterprise Center, Ayala Ave., Cor., Makati City<br><br>(Shareholder) | Various Participants | Filipino | 137,408,244 (r) | 11.75% |

The members of the Board of Directors of Roxas & Co., Inc. (RCI) are Antonio J. Roxas, Pedro E. Roxas, Carlos R. Elizalde, Francisco Jose R. Elizalde, Renato C. Valencia, Guillermo D. Luchangco, and Corazon De La Paz-Bernardo. Collectively, they have the power to decide how the shareholdings of Roxas & Co. in RHI shall be voted. Pedro E. Roxas is authorized to vote the shares of RCI in the annual meeting.

(2) Security Ownership of Management as of 30 November 2014.

The following are the number of shares owned of record by the directors, the President & Chief Executive Officer (PCEO) and each of the key officers of the Company and the percentage of shareholdings of each:

| *Title of Class* | *Name of Beneficial Owner* | *Citizenship* | *Number and Nature of Ownership* | *Percent of Class* |
|---|---|---|---|---|
| Common | Pedro E. Roxas, Chairman of the Board | Filipino | 26,373,248* (r & b) | 2.899 **%** |
| Common | Manuel V. Pangilinan, Vice-Chairman of the Board | Filipino | 50,000 (r & b) | 0.005 % |
| Common | Renato C. Valencia, President & CEO, | Filipino | 50,000 (r) | 0.005 % |
| Common | Ray C. Espinosa, Director | Filipino | 350,000 (r & b) | 0.038 % |
| Common | Alex Erlito S. Fider, Director | Filipino | 50,000 (r) | 0.005 % |
| Common | Santiago R. Elizalde, Director | Filipino | 100,000 (r & b) | 0.011 % |
| Common | Carlos R. Elizalde, Director | Filipino | 50,000 (r) | 0.005 % |
| Common | Geronimo C. Estacio, Independent Director | Filipino | 50,000 (r) | 0.005 % |
| Common | David L. Balangue, Independent Director | Filipino | 50,000 (r) | 0.005 % |
| Common | Directors and officers as a Group | | 25,098,248 (r & b) | 2.899 **%** |

*This includes the shares owned by Mr. Pedro E. Roxas through his holding company, Pesan Holdings, Inc.

Insider Trading Policy.

The Company has an Insider Trading Policy which prohibits the purchase, sale, or trading in securities of the Company or another corporation while in possession of material non-public information, such as knowledge that the Company is planning to acquire another corporation. The Policy likewise prohibits the giving of material non-public information, directly or indirectly, to anyone. A violation of the Policy subjects the employee to disciplinary action in addition to possible civil and criminal actions.

D. Certain Relationships and Related Transactions.

Mr. Pedro E. Roxas, Mr. Carlos R. Elizalde and Mr. Renato C. Valencia are members of the Board of Directors of Roxas and Company, Inc. (RCI). As of 30 November 2014, RCI owns thirty-five percent (35%) of the outstanding shares of the Company. There is no transaction or proposed transaction during the last two (2) fiscal years to which the Company was or is to be a party in relation to any director, any nominee for election as director, any security holder of certain record or beneficial owner or management or any member of the immediate families of the directors.

## EXHIBITS AND SCHEDULES

Exhibits and Reports on SEC Form 17-C.

(a) Exhibits.

Certified Consolidated Financial Statements With Supplementary Schedules.

(b) Reports on SEC Form 17-C.

1. On 15 January 2014, the Company (i) appointed Mr. Luis O. Villa-Abrille as Senior Vice President for Quality Assurance and Business Development effective 1 January 2014; and (ii) re-appointed Mr. Juan Miguel J. Araneta as Senior Vice President for Supply Chain and Special Projects effective 1 January 2014.

2. On 16 January 2014, the Board of Directors approved a second Stock Option Plan (SOP) consisting of two percent (2%) of its authorized capital stock of One Billion Five Hundred Million (1,500,000,000) shares or a total of Thirty Million (30,000,000) shares from its unissued capital stock. The second SOP was offered and allocated to employees, executive officers, Board of Directors, Board of Advisors and Line Consultants of the Company.

3. On 3 February 2014, the Company appointed Mr. Frederick E. Reyes as AVP Human Resources effective 1 February 2014.

4. On 19 February 2014, the shareholders of the Company, in their annual meeting held on 19 February 2014, elected the following persons to the Board of Directors of the Company for the fiscal year 2014-2015:

Mr. Pedro E. Roxas
Mr. Manuel V. Pangilinan
Mr. Renato C. Valencia
Mr. Santiago R. Elizalde
Atty. Ray C. Espinosa
Mr. Geronimo C. Estacio
Mr. David L. Balangue
Atty. Alex Erlito S. Fider
Mr. Carlos R. Elizalde

The shareholders elected Messrs. Geronimo C. Estacio and David L. Balangue as independent directors of the Company.

The shareholders also elected the auditing firm of Reyes Tacandong & Co. as external auditors of the Company for the fiscal year 2013-2014.

The shareholders also approved the Consolidated Financial Report of the Company to the shareholders for the year ended 30 September 2013 as well as the Company's second SOP consisting of two percent (2%) of its authorized capital stock of One Billion Five Hundred Million (1,500,000,000) shares or Thirty Million (30,000,000) shares.

Thereafter, the newly elected members of the Board of Directors of the Company, in its organizational meeting held on 19 February 2014, elected the following officers of the Company:

Officers:

| | | |
|---|---|---|
| Pedro E. Roxas | : | Chairman of the Board of Directors |
| Manuel V. Pangilinan | : | Vice Chairman of the Board of Directors |
| Renato C. Valencia | : | President & Chief Executive Officer |
| Arcadio S. Lozada, Jr. | : | EVP Operations & Management Services & CADPI President and COO |
| Archimedes B. Amarra | : | EVP Marketing/Trading & CACI President & COO |
| Gemma M. Santos | : | Corporate Secretary |
| Armando B. Escobar | : | EVP Finance & Treasurer |
| Luis O. Villa-Abrille<br>Roxol | : | SVP Quality Assurance & Business Development &<br>President & COO |
| Ramon M. De Leon | : | SVP Human Resources |
| Juan Miguel J. Araneta | : | SVP Supply Chain & Special Projects |
| Ferdinand Joseph T. Escobal | : | SVP Strategic Affairs |

| | | |
|---|---|---|
| Florencio M. Mamauag, Jr. | : | Asst. Corporate Secretary/Compliance Officer/Corporate Information Officer/ VP Legal & Human Resources |
| Eduardo A. De la Cruz | : | VP Comptroller |
| Francisco S. Rondilla | : | VP Information, Instrumentation & Communication Technology & Security |
| Felixberto T. Monasterio | : | VP Feedstock Supply |
| Thelma C. Rodriguez | : | VP Internal Audit |
| Frederick E. Reyes | : | AVP Human Resources |

The Board of Directors also elected the following persons to the standing committees of the Company:

Executive Committee:

| | | |
|---|---|---|
| Pedro E. Roxas | : | Chairman |
| Manuel V. Pangilinan | : | Member |
| David L. Balangue | : | Member (Independent Director) |

Audit & Risk Committee:

| | | |
|---|---|---|
| Geronimo C. Estacio | : | Chairman |
| Alex Erlito S. Fider | : | Member |
| David L. Balangue | : | Member (Independent Director) |

Compensation Committee:

| | | |
|---|---|---|
| Manuel V. Pangilinan | : | Chairman |
| Santiago R. Elizalde | : | Member |
| Geronimo C. Estacio | : | Member (Independent Director) |

Nomination, Election & Governance Committee:

| | | |
|---|---|---|
| Pedro E. Roxas | : | Chairman |
| Ray C. Espinosa | : | Member |
| David L. Balangue | : | Member (Independent Director) |

5. On 10 March 2014, the Company appointed Mr. Carlos C. Bengzon, Jr. as VP Treasury.

6. On 18 March 2014, the Company appointed Mr. Carlos C. Bengzon, Jr. as Chief Risk Officer in addition to his functions as Treasury Head.

7. On 15 April 2014, the Company reported that Roxol's bioethanol production is in full swing despite challenges.

8. On 21 April 2014, the Company appointed Ms. Jesselyn P. Panis as VP Corporate Quality Assurance and as SVP & Deputy Head of Roxol.

9. On 14 May 2014, the Board of Directors of the Company approved the Quarterly Report on SEC 17Q of the Company for the quarter ending 31 March 2014. It also approved the Company's share trading restriction policy/blackout rule. The Company also reported its consolidated net income after tax of Php318 Million.

10. On 6 August 2014, the Board of Directors approved/confirmed the following: (i) The Quarterly Report on SEC Form 17Q of the Company for the quarter ending 30 June 2014; (ii) The Company's Dividend Policy to declare regular cash and/or stock dividends at 35% of annual earnings payable out of its unrestricted retained earnings; (iii) The declaration and payment of a cash dividend in the sum of Php 0.12 per share to all shareholders of record as of 22 August 2014, which cash dividend shall be paid on 15 September 2014; and (iv) The Revised Manual on Corporate Governance.

11. On 7 August 2014, the Company reported its 9-month net income of Php455 Million.

12. On 3 November 2014, the Company reported that Ms. Thelma C. Rodriguez was separated

from the Company as VP-Internal Audit effective 1 November 2014.

13. On 5 December 2014, the Board of Directors approved the following: (i) The Consolidated Audited Financial Statements of the Company for the fiscal year ending 30 September 2014; (ii) The declaration and payment of a cash dividend in the sum of Php0.12 per share to all shareholders of record as of 22 December 2014, which cash dividend shall be paid on 15 January 2015; (iii) The execution of the Memorandum of Agreement (MOA) with Global Business Power Corporation (GBPC) detailing the duties and responsibilities of RHI and GBPC in the financing, construction, ownership and operation of a forty (40) MW Biomass Power Plant in La Carlota City, Negros Occidental (Project); (iv) The proposed terms and conditions of the Shareholders' Agreement with GBPC with respect to the Project; (v) The conduct of a feasibility study of a biomass power plant at CADPI; (vi) The amendment of Article III of the Articles of Incorporation of RHI to comply with SEC Memorandum Circular No. 6, Series of 2014; and (vii) The holding of the Annual Meeting of the shareholders of RHI on 18 February 2015 at 10:00 o'clock in the morning. The record date of the meeting is 26 December 2014 and the venue of the meeting is at the Turf Room, Manila Polo Club, McKinley Road, Forbes Park, Makati City.

14. On 9 December 2014, the Company reported that it signed a Memorandum of Agreement with Global Business Power Corporation for a cogeneration project.

15. On 23 December 2014, the Company reported a net income after tax of Php615 Million for fiscal year 2014 ending 30 September 2014.

ROXAS HOLDINGS, INC.

## AUDIT & RISK COMMITTEE REPORT

**The Board of Directors**
**Roxas Holdings, Inc.**

Further to our compliance with applicable corporate governance laws and rules, we confirm for the fiscal year ending 30 September 2014 that:

1. The Chairman and one of the members of the Audit & Risk Committee are independent directors;

2. During the fiscal year ended 30 September 2014, the Audit & Risk Committee held seven (7) meetings which were attended by all of its members when the said meetings were held;

3. We have discussed with Roxas Holdings, Inc.'s Internal Audit Group & Reyes Tacandong & Co. the overall scope and plans for their respective audits, and the results of their examination, their evaluations of Roxas Holdings, Inc. and its subsidiaries (the "RHI Group"), internal controls and the overall quality of the RHI Group's financial reporting;

4. We have reviewed and approved the audit and non-audit services provided by Reyes Tacandong & Co. to the RHI Group, and related fees for such services, and concluded that the non-audit fee is minimal and therefore not significant to impair their independence;

5. In the performance of our oversight responsibilities, we have reviewed and discussed the audited financial statements of the RHI Group as of and for the fiscal year ended 30 September 2014 with the RHI Group's management, which has the primary responsibility for the financial statements, and with Reyes Tacandong & Co., the RHI Group's independent external auditor, who is responsible for expressing an opinion on the conformity of the RHI Group's audited financial statements with the Philippine Financial Reporting Standards (PFRS);

6. Based on the reviews and discussions referred to above, in reliance on the RHI Group's management, and Reyes Tacandong & Co. and subject to the limitations of our role, we recommended to the Board of Directors and the Board has approved, the inclusion of the RHI Group's Annual Report to the Stockholders and to the Philippine Securities and Exchange Commission (SEC) on Form 17-A; and

7. Based on the review of Reyes Tacandong & Co., performance and qualifications, including consideration of management's recommendation, we approved the appointment of Reyes Tacandong & Co. as the RHI Group's independent external auditor for the fiscal year ending 30 September 2015.

| | | |
|---|---|---|
| **Geronimo C. Estacio** | **David L. Balangue** | **Alex Erlito S. Fider** |
| Chairman | Member | Member |

Issuer

**ROXAS HOLDINGS, INC.**

Pursuant to the requirements of the Revised Securities Act, this annual report has been signed by the following persons in the capacities and on the dates indicated.

Pedro E. Roxas
Chairman

Renato C. Valencia
President and CEO

Armando B. Escobar
EVP & Chief Finance Officer

Florencio M. Mamauag , Jr.
VP-Legal/Assistant Corp. Secretary
Compliance Officer

Eduardo E. Dela Cruz
VP-Controller & Risk Management Officer

SUBSCRIBED AND SWORN to me this ____ day of JAN 14 2015 2015; affiants exhibited to me their respective Passport No./Driver's License data as follows:

| Name: | Passport No. / Driver's License | Date Issued | Place Issued |
|---|---|---|---|
| Pedro E. Roxas | EC2368933 | 10/10/2014 | Manila City |
| Renato C. Valencia | EB98782489 | 12/26/2013 | Muntinlupa City |
| Armando B. Escobar | N16-82-005238 | 01/18/2013 | Quezon City |
| Florencio M. Mamauag, Jr. | N02-90-127320 | 02/14/2015 | Quezon City |
| Eduardo E. Dela Cruz | EA0030377 | 02/10/2015 | Manila City |

Doc No. 56
Page No. 13
Book No. 109
Series of 2015

ATTY. ROBERT N. LLUZ
NOTARY PUBLIC
Until December 31, 2015
Appt. No. M-44, Makati City
IBP #978779, Dec. 17, 2014-RSM
PTR #4748501, Jan. 05, 2015-Makati
S.C. Roll No. 59597
MCLE Compliance No. IV-0011330
Unit 301 3rd Flr. Campos Rueda Bldg.
101 Urban Avenue, Brgy. Pio del Pilar
Makati City

## ROXAS HOLDINGS, INC AND SUBSIDIARIES

CERTIFIED CONSOLIDATED FINANCIAL STATEMENTS WITH SUPPLEMENTARY SCHEDULES FOR THE SECURITIES AND EXCHANGE COMMISSION SEPTEMBER 2014

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# FIRST SECTION

ROXAS HOLDINGS, INC.

December 5, 2014

**STATEMENT OF MANAGEMENT RESPONSIBILITY**
**FOR CONSOLIDATED FINANCIAL STATEMENTS**

The management of Roxas Holdings, Inc. (the Company) is responsible for the preparation and fair presentation of the consolidated financial statements as at and for the years ended September 30, 2014 and 2013, including the additional components attached therein, in accordance with the Philippine Financial Reporting Standards indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders.

Reyes Tacandong & Co., the independent auditors appointed by the stockholders as at and for the year ended September 30, 2014 have examined the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in their reports to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such examination.

Pedro E. Roxas
(Chairman)

Renato C. Valencia
(President & CEO)

Armando B. Escobar
(Chief Financial Officer)

Republic of the Philippines )
City of Makati ) S.S

SUBCRIBED AND SWORN to me this ____day of JAN 1 2 2015, affiants exhibited to me their respective Passport/Driver's License data as follows:

| **Name:** | **Passport No. / Driver's License** | **Date Issued** | **Place Issued** |
|---|---|---|---|
| Pedro E. Roxas | EC2368933 | 10/10/2014 | Manila |
| Renato C. Valencia | EB98782489 | 12/26/2013 | Muntinlupa City |
| Armando B. Escobar | N16-82-005238 | 01/18/2013 | Quezon City |

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Book No. 108
Series of 2015

ATTY. HOBERT N. LLUZ
NOTARY PUBLIC
Until December 31, 2015
Appt. No. M-44, Makati City
IBP #978779, Dec. 17, 2014-RSM
PTR #4748501, Jan. 05, 2015-Makati
S.C. Roll No. 59597
MCLE Compliance No. IV-0011330
Unit 301 3rd Flr. Campos Rueda Bldg.
101 Urban Avenue, Brgy. Pio del Pilar
Makati City

# ROXAS HOLDINGS, INC.
# AND SUBSIDIARIES

Certified Consolidated Financial Statement with

Supplementary Schedules for the

Securities and Exchange Commission

September 30, 2014

# Roxas Holdings, Inc. and Subsidiaries

Consolidated Financial Statements
September 30, 2014 and 2013
*(With Comparative Figures for 2012)*

With independent auditor's report provided by

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

# COVER SHEET

PW-15

SEC Registration Number

ROXAS HOLDINGS, INC. AND SUBSIDIARIES

(Company's Full Name)

6th Floor, Cacho-Gonzales Building, 101 Aguirre Street, Legaspi Village, Makati City

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

Atty. Florencio M. Mamauag, Jr.

(Contact Person)

(02) 810-8901

(Company Telephone Number)

09 30

*Month* *Day*

(Fiscal Year)

AACFS

(Form Type)

02 19

*Month* *Day*

(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

CRMD

Dept. Requiring this Doc.

Not Applicable

Amended Articles Number/Section

2,176

Total No. of Stockholders

Total Amount of Borrowings

| Domestic | Foreign |
| --- | --- |
| ₱5,862.7 million | – |

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

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39 Plaza Drive, Rockwell Center
Makati City 1200 Philippines
www.reyestacandong.com
Phone: +632 982 9100
Fax : +632 982 9111
BOA/PRC Accreditation No. 4782
November 12, 2012, valid until December 31, 2015
SEC Accreditation No. 0207-FR-1 (Group A)
September 6, 2013, valid until September 5, 2016

# INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Roxas Holdings, Inc. and Subsidiaries
6th Floor, Cacho-Gonzales Building
101 Aguirre Street, Legaspi Village
Makati City

We have audited the accompanying consolidated financial statements of Roxas Holdings, Inc. and Subsidiaries, which comprise the consolidated statements of financial position as at September 30, 2014 and 2013 and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

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

*Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Roxas Holdings, Inc. and Subsidiaries as at September 30, 2014 and 2013, and their financial performance and their cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

*Other Matter*

The consolidated financial statements of Roxas Holdings, Inc. and Subsidiaries as at and for the year ended September 30, 2012 were audited by another auditor whose report dated December 12, 2012, expressed an unmodified opinion on those statements. The opinion of such other auditor, however, does not include the restatement discussed in Note 3 to consolidated financial statements.

**REYES TACANDONG & CO.**

PROTACIO T. TACANDONG
Partner
CPA Certificate No. 25006
Tax Identification No. 105-309-124-000
BOA Accreditation No. 4782; Valid until December 31, 2015
SEC Accreditation No. 1024-AR-1 Group A
Valid until September 23, 2016
BIR Accreditation No. 08-005144-2-2013
Valid until November 26, 2016
PTR No. 4232802
Issued January 2, 2014, Makati City

December 5, 2014
Makati City, Metro Manila

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

PHINMA Plaza
39 Plaza Drive, Rockwell Center
Makati City 1200 Philippines
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Phone: +632 982 9100
Fax : +632 982 9111
BOA/PRC Accreditation No. 4782
November 12, 2012, valid until December 31, 2015
SEC Accreditation No. 0207-FR-1 (Group A)
September 6, 2013, valid until September 5, 2016

**REPORT OF INDEPENDENT AUDITOR**
**TO ACCOMPANY CONSOLIDATED FINANCIAL STATEMENTS FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION**

The Stockholders and the Board of Directors
Roxas Holdings, Inc. and Subsidiaries
6th Floor, Cacho-Gonzales Building
101 Aguirre Street, Legaspi Village
Makati City

We have audited the consolidated financial statements of Roxas Holdings, Inc. and Subsidiaries (the Group) as at and for the year ended September 30, 2014, on which we have rendered our report dated December 5, 2014.

In compliance with the Securities Regulation Code Rule 68, as amended, we are stating that the Group has 2,166 stockholders owning one hundred (100) or more shares each.

**REYES TACANDONG & CO.**

PROTACIO T. TACANDONG
Partner
CPA Certificate No. 25006
Tax Identification No. 105-309-124-000
BOA Accreditation No. 4782; Valid until December 31, 2015
SEC Accreditation No. 1024-AR-1 Group A
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BIR Accreditation No. 08-005144-2-2013
Valid until November 26, 2016
PTR No. 4232802
Issued January 2, 2014, Makati City

December 5, 2014
Makati City, Metro Manila

## ROXAS HOLDINGS, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

**SEPTEMBER 30, 2014 AND 2013**
**(With Comparative Figures for 2012)**
**(Amounts in Thousands)**

| | Note | 2014 | 2013 (As Restated - Note 3) | 2012 (As Restated - Note 3) |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current Assets** | | | | |
| Cash and cash equivalents | 6 | **₱106,032** | ₱165,953 | ₱164,408 |
| Trade and other receivables | 7 | **1,105,317** | 1,371,432 | 804,345 |
| Inventories | 8 | **558,489** | 1,550,894 | 779,336 |
| Other current assets | 9 | **467,785** | 468,308 | 427,277 |
| Total Current Assets | | **2,237,623** | 3,556,587 | 2,175,366 |
| **Noncurrent Assets** | | | | |
| Investment in an associate | 10 | **626,681** | 611,927 | 565,500 |
| Property, plant and equipment: | 11 | | | |
| At cost | | **7,617,490** | 7,892,501 | 8,377,787 |
| At appraised values | | **3,779,605** | 2,757,810 | 2,757,810 |
| Investment properties | 12 | **205,986** | 191,838 | 191,838 |
| Retirement assets | 16 | **134,901** | – | 88,753 |
| Net deferred tax assets | 25 | **72,178** | 94,092 | 162,358 |
| Other noncurrent assets | | **25,431** | 16,476 | 29,133 |
| Total Noncurrent Assets | | **12,462,272** | 11,564,644 | 12,173,179 |
| | | **₱14,699,895** | ₱15,121,231 | ₱14,348,545 |
| LIABILITIES AND EQUITY | | | | |
| **Current Liabilities** | | | | |
| Short-term borrowings | 13 | **₱719,100** | ₱1,020,527 | ₱1,148,000 |
| Current portion of long-term borrowings | 14 | **42,241** | 158,277 | 148,031 |
| Trade and other payables | 15 | **626,593** | 666,757 | 727,090 |
| Income tax payable | | **56,643** | 51,513 | – |
| Dividends payable | | **–** | – | 49,497 |
| Total Current Liabilities | | **1,444,577** | 1,897,074 | 2,072,618 |

(Forward)

| | Note | 2014 | 2013 (As Restated - Note 3) | 2012 (As Restated - Note 3) |
|---|---|---|---|---|
| **Noncurrent Liabilities** | | | | |
| Long-term borrowings - net of current portion | 14 | **₱5,101,351** | ₱6,677,245 | ₱6,010,780 |
| Retirement liabilities | 16 | **168,890** | 225,945 | 134,824 |
| Net deferred tax liabilities | 25 | **1,057,226** | 760,085 | 782,667 |
| Total Noncurrent Liabilities | | **6,327,467** | 7,663,275 | 6,928,271 |
| Total Liabilities | | **7,772,044** | 9,560,349 | 9,000,889 |
| **Equity Attributable to the Equity Holders of the Parent Company** | | | | |
| Capital stock | 17 | **1,168,976** | 1,168,976 | 1,168,976 |
| Additional paid-in capital | | **574,913** | 556,951 | 554,960 |
| Treasury stock | 17 | **(768,860)** | (768,860) | (768,860) |
| Retained earnings | 17 | **2,751,827** | 2,303,609 | 1,909,226 |
| Other equity reserves | | **3,162,299** | 2,264,919 | 2,448,514 |
| | | **6,889,155** | 5,525,595 | 5,312,816 |
| **Noncontrolling Interests** | | **38,696** | 35,287 | 34,840 |
| Total Equity | | **6,927,851** | 5,560,882 | 5,347,656 |
| | | **₱14,699,895** | ₱15,121,231 | ₱14,348,545 |

*See accompanying Notes to Consolidated Financial Statements.*

## ROXAS HOLDINGS, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME

**FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013**
**(With Comparative Figures for 2012)**
**(Amounts in Thousands, Except Basic/Diluted Earnings per Share Data)**

| | Note | 2014 | 2013 (As Restated - Note 3) | 2012 (As Restated - Note 3) |
|---|---|---|---|---|
| REVENUE | 20 | **₱8,316,718** | ₱6,064,728 | ₱7,674,493 |
| COST OF GOODS SOLD | 21 | **(6,882,691)** | (4,450,154) | (5,956,519) |
| GROSS INCOME | | **1,434,027** | 1,614,574 | 1,717,974 |
| GENERAL AND ADMINISTRATIVE EXPENSES | 22 | **(731,902)** | (623,546) | (785,022) |
| SELLING EXPENSES | 22 | **(24,038)** | (40,361) | (74,990) |
| INTEREST EXPENSE | 14 | **(314,543)** | (390,662) | (474,245) |
| SHARE IN NET INCOME OF AN ASSOCIATE | 10 | **83,214** | 68,315 | 51,185 |
| OTHER INCOME - Net | 24 | **229,516** | 107,680 | 118,905 |
| INCOME BEFORE INCOME TAX | | **676,274** | 736,000 | 553,807 |
| INCOME TAX EXPENSE (BENEFIT) | 25 | | | |
| Current | | **90,491** | 125,441 | 37,794 |
| Deferred | | **(29,563)** | 124,775 | (185,085) |
| | | **60,928** | 250,216 | (147,291) |
| NET INCOME | | **₱615,346** | ₱485,784 | ₱701,098 |
| Net income attributable to: | | | | |
| Equity holders of the Parent Company | | **₱611,937** | ₱485,337 | ₱700,402 |
| Noncontrolling interests | | **3,409** | 447 | 696 |
| | | **₱615,346** | ₱485,784 | ₱701,098 |
| EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY | 26 | | | |
| Basic | | **₱0.67** | ₱0.53 | ₱0.77 |
| Diluted | | **0.66** | 0.53 | 0.77 |

*See accompanying Notes to Consolidated Financial Statements.*

# ROXAS HOLDINGS, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

**FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013**
**(With Comparative Figures for 2012)**
**(Amounts in Thousands)**

| | Note | 2014 | 2013 (As Restated - Note 3) | 2012 (As Restated - Note 3) |
|---|---|---|---|---|
| NET INCOME | | **₱615,346** | ₱485,784 | ₱701,098 |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | |
| *Items not to be reclassified to profit or loss* | | | | |
| Appraisal increase on land, net of tax | 11 | **704,122** | – | 161,131 |
| Remeasurement gain (loss) on retirement assets and liabilities, net of tax | 16 | **156,742** | (184,547) | (12,773) |
| Share in remeasurement gain (loss) on retirement asset of an associate | | **(1,084)** | 952 | (6,043) |
| Effect of change in tax rate on beginning balance of revaluation increment on land | 25 | **37,600** | – | – |
| TOTAL COMPREHENSIVE INCOME | | **₱1,512,726** | ₱302,189 | ₱843,413 |
| Total comprehensive income attributable to: | | | | |
| Equity holders of the Parent Company | | **₱1,509,317** | ₱301,742 | ₱842,717 |
| Noncontrolling interests | | **3,409** | 447 | 696 |
| | | **₱1,512,726** | ₱302,189 | ₱843,413 |

*See accompanying Notes to Consolidated Financial Statements.*

# ROXAS HOLDINGS, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

### FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

### (With Comparative Figures for 2012)

### (Amounts in Thousands)

| | | Equity Attributable to Equity Holders of the Parent Company | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Other Equity Reserves | | | | | | | | |
| | Note | Capital Stock (Note 17) | Additional Paid-in Capital | Treasury Stock (Note 17) | Retained Earnings (Note 17) | Revaluation Increment on Land (Note 11) | Cumulative Remeasurement Loss on Net Retirement Assets and Liabilities (Note 16) | Excess of Consideration Received over Carrying Amount of Net Assets of a Subsidiary Transferred to the Parent Company (Note 17) | Effect of Change in Equity Interest in Subsidiaries (Note 17) | Share in Revaluation Increment on Land of an Associate (Note 10) | Cumulative Share in Remeasurement Loss on Retirement Asset of an Associate (Note 10) | Total | Noncontrolling Interests | Total Equity |
| Balances as at October 1, 2013: | | | | | | | | | | | | | | |
| As previously reported | | ₱1,168,976 | ₱556,951 | (₱768,860) | ₱2,242,475 | ₱1,734,341 | ₱– | ₱577,148 | ₱44,567 | ₱207,492 | ₱– | ₱5,763,090 | ₱35,287 | ₱5,798,377 |
| Prior period adjustments | 3 | – | – | – | 61,134 | – | (293,538) | – | – | – | (5,091) | (237,495) | – | (237,495) |
| As restated | | 1,168,976 | 556,951 | (768,860) | 2,303,609 | 1,734,341 | (293,538) | 577,148 | 44,567 | 207,492 | (5,091) | 5,525,595 | 35,287 | 5,560,882 |
| Net income | | – | – | – | 611,937 | – | – | – | – | – | | 611,937 | 3,409 | 615,346 |
| Appraisal increase on land, net of tax | 11 | – | – | – | – | 704,122 | – | – | – | – | – | 704,122 | – | 704,122 |
| Remeasurement gain on retirement assets and liabilities, net of tax | 16 | – | – | – | – | – | 156,742 | – | – | – | – | 156,742 | – | 156,742 |
| Effect of change in tax rate on beginning balance of revaluation increment on land | 25 | – | – | – | – | 37,600 | – | – | – | – | – | 37,600 | – | 37,600 |
| Share in remeasurement loss on retirement asset of an associate | 10 | – | – | – | – | – | – | – | – | – | (1,084) | (1,084) | – | (1,084) |
| Employee stock option | 19 | – | 17,962 | – | – | – | – | – | – | – | – | 17,962 | – | 17,962 |
| Cash dividends | 17 | – | – | – | (163,719) | – | – | – | – | – | – | (163,719) | – | (163,719) |
| Balances as at September 30, 2014 | | ₱1,168,976 | ₱574,913 | (₱768,860) | ₱2,751,827 | ₱2,476,063 | (₱136,796) | ₱577,148 | ₱44,567 | ₱207,492 | (₱6,175) | ₱6,889,155 | ₱38,696 | ₱6,927,851 |
| Balances as at October 1, 2012: | | | | | | | | | | | | | | |
| As previously reported | | ₱1,168,976 | ₱554,960 | (₱768,860) | ₱1,860,496 | ₱1,734,341 | ₱– | ₱577,148 | ₱44,567 | ₱207,492 | ₱– | ₱5,379,120 | ₱34,840 | ₱5,413,960 |
| Prior period adjustments | 3 | – | – | – | 48,730 | – | (108,991) | – | – | – | (6,043) | (66,304) | – | (66,304) |
| As restated | | 1,168,976 | 554,960 | (768,860) | 1,909,226 | 1,734,341 | (108,991) | 577,148 | 44,567 | 207,492 | (6,043) | 5,312,816 | 34,840 | 5,347,656 |
| Net income | | – | – | – | 485,337 | – | – | – | – | – | – | 485,337 | 447 | 485,784 |
| Remeasurement loss on retirement assets and liabilities, net of tax | 16 | – | – | – | – | – | (184,547) | – | – | – | – | (184,547) | – | (184,547) |
| Share in remeasurement gain on retirement asset of an associate | 10 | – | – | – | – | – | – | – | – | – | 952 | 952 | – | 952 |
| Employee stock option | 19 | – | 1,991 | – | – | – | – | – | – | – | – | 1,991 | – | 1,991 |
| Cash dividends | 17 | – | – | – | (90,954) | – | – | – | – | – | – | (90,954) | – | (90,954) |
| Balances as at September 30, 2013 | | ₱1,168,976 | ₱556,951 | (₱768,860) | ₱2,303,609 | ₱1,734,341 | (₱293,538) | ₱577,148 | ₱44,567 | ₱207,492 | (₱5,091) | ₱5,525,595 | ₱35,287 | ₱5,560,882 |

(Forward)

| | Note | Capital Stock (Note 17) | Additional Paid-in Capital | Treasury Stock (Note 17) | Retained Earnings (Note 17) | Revaluation Increment on Land (Note 11) | Cumulative Remeasurement Loss on Net Retirement Assets and Liabilities (Note 16) | Excess of Consideration Received over Carrying Amount of Net Assets of a Subsidiary Transferred to the Parent Company (Note 17) | Effect of Change in Equity Interest in Subsidiaries (Note 17) | Share in Revaluation Increment on Land of an Associate (Note 10) | Cumulative Share in Remeasurement Loss on Retirement Asset of an Associate (Note 10) | Total | Noncontrolling Interests | Total Equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Equity Attributable to Equity Holders of the Parent Company | | | | Other Equity Reserves | | | | | | | | |
| Balances as at October 1, 2011: | | | | | | | | | | | | | | |
| As previously reported | | ₱1,168,976 | ₱554,960 | (₱768,860) | ₱1,248,365 | ₱1,573,210 | ₱– | ₱577,148 | ₱44,567 | ₱207,492 | ₱– | ₱4,605,858 | ₱34,144 | ₱4,640,002 |
| Prior period adjustments | 3 | – | – | – | 15,032 | – | (96,218) | – | – | – | – | (81,186) | – | (81,186) |
| As restated | | 1,168,976 | 554,960 | (768,860) | 1,263,397 | 1,573,210 | (96,218) | 577,148 | 44,567 | 207,492 | – | 4,524,672 | 34,144 | 4,558,816 |
| Net income | | – | – | – | 700,402 | – | – | – | – | – | – | 700,402 | 696 | 701,098 |
| Appraisal increase on land, net of tax | 11 | – | – | – | – | 161,131 | – | – | – | – | – | 161,131 | – | 161,131 |
| Remeasurement loss on retirement assets and liabilities, net of tax | 16 | – | – | – | – | – | (12,773) | – | – | – | – | (12,773) | – | (12,773) |
| Share in remeasurement loss on retirement asset of an associate | 10 | – | – | – | – | – | – | – | – | – | (6,043) | (6,043) | – | (6,043) |
| Cash dividends | 17 | – | – | – | (54,573) | – | – | – | – | – | – | (54,573) | – | (54,573) |
| Balances as at September 30, 2012 | | ₱1,168,976 | ₱554,960 | (₱768,860) | ₱1,909,226 | ₱1,734,341 | (₱108,991) | ₱577,148 | ₱44,567 | ₱207,492 | (₱6,043) | ₱5,312,816 | ₱34,840 | ₱5,347,656 |

*See accompanying Notes to Consolidated Financial Statements.*

## ROXAS HOLDINGS, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

**FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013**
**(With Comparative Figures for 2012)**
**(Amounts in Thousands)**

| | Note | 2014 | 2013 (As Restated - Note 3) | 2012 (As Restated - Note 3) |
|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Income before income tax | | **₱676,274** | ₱736,000 | ₱553,807 |
| Adjustments for: | | | | |
| Depreciation and amortization | 11 | **680,835** | 679,649 | 689,799 |
| Interest expense | 14 | **314,543** | 390,662 | 474,245 |
| Share in net income of an associate | 10 | **(83,214)** | (68,315) | (51,185) |
| Retirement benefits | 16 | **44,992** | 37,959 | 130,512 |
| Recovery from insurance claims | 24 | **(40,903)** | – | (20,676) |
| Provision (reversal of allowance) for impairment losses on receivables | 7 | **(39,902)** | 6,236 | 100,319 |
| Unrealized gain on fair value adjustment on investment properties | 12 | **(33,349)** | – | (5,351) |
| Employee stock option | 19 | **17,962** | 1,991 | – |
| Net unrealized foreign exchange (gains) losses | 24 | **(2,284)** | 606 | 7,767 |
| Interest income | 24 | **(1,123)** | (2,386) | (6,269) |
| Income from performance bank guarantee | 24 | **–** | (62,834) | – |
| Loss on property and equipment due to fire | 22 | **–** | 22,305 | – |
| Provision for inventory losses and obsolescence | 8 | **–** | 13,544 | 59,727 |
| Gain on disposal of property and equipment | 24 | **–** | – | (530) |
| Operating income before changes in working capital | | **1,533,831** | 1,755,417 | 1,932,165 |
| Decrease (increase) in: | | | | |
| Trade and other receivables | | **306,017** | (599,161) | (345,792) |
| Inventories | | **992,405** | (782,103) | 800,014 |
| Other current assets | | **15,022** | (41,031) | (30,950) |
| Increase (decrease) in trade and other payables | | **(79,200)** | (58,820) | 27,598 |
| Net cash generated from operations | | **2,768,075** | 274,302 | 2,383,035 |
| Income taxes paid, including final taxes | | **(79,289)** | (73,928) | (102,394) |
| Retirement contributions paid | 16 | **(13,031)** | (121,724) | (90,972) |
| Interest received | | **1,123** | 2,386 | 6,269 |
| Net cash flows provided by operating activities | | **2,676,878** | 81,036 | 2,195,938 |

(Forward)

| | Note | 2014 | 2013 (As Restated - Note 3) | 2012 (As Restated - Note 3) |
|---|---|---|---|---|
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Additions to property, plant and equipment | 11 | **(₱403,262)** | (₱214,271) | (₱128,156) |
| Proceeds from: | | | | |
| Dividends received | | **67,376** | 45,678 | 165,587 |
| Recovery from insurance claims | | **40,903** | – | 20,676 |
| Performance bank guarantee | | **–** | 62,834 | – |
| Disposal of property and equipment | | **–** | 165 | 5,523 |
| Decrease (increase) in other noncurrent assets | | **(11,516)** | 10,096 | (4,305) |
| Net cash flows provided by (used in) investing activities | | **(306,499)** | (95,498) | 59,325 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| Payments of: | | | | |
| Long-term borrowings | | **(1,673,348)** | (123,289) | (769,722) |
| Interest | | **(294,090)** | (392,174) | (522,545) |
| Dividends | | **(163,719)** | (140,451) | (21,145) |
| Net payments of short-term borrowings | | **(301,427)** | (127,473) | (1,590,000) |
| Proceeds from long-term borrowings | | **–** | 800,000 | 501,568 |
| Net cash flows provided by (used in) financing activities | | **(2,432,584)** | 16,613 | (2,401,844) |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | | **(62,205)** | 2,151 | (146,581) |
| **EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS** | | **2,284** | (606) | (7,767) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | | **165,953** | 164,408 | 318,756 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | | **₱106,032** | ₱165,953 | ₱164,408 |

*See accompanying Notes to Consolidated Financial Statements.*

# ROXAS HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
**(With Comparative Information for 2012)**

## 1. Corporate Information

Roxas Holdings, Inc. (RHI or the Parent Company), doing business under the name and style of CADP Group, was organized in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on October 30, 1930 for the purpose of operating mill and refinery facilities to manufacture sugar and allied products. The corporate life of the Parent Company has been extended for another 50 years from November 1, 1980.

In July 1996, the Parent Company offered its shares to the public through an initial public offering. On August 8, 1996, the shares of stock of the Parent Company were listed in the Philippine Stock Exchange (PSE).

As at September 30, 2013, the Parent Company is 65.70% owned by Roxas and Company, Inc. (RCI), a publicly-listed company incorporated and domiciled in the Philippines. On November 29, 2013, RCI sold its 31% equity ownership in the Parent Company to First Pacific Company, Ltd. (First Pacific), a Hong Kong-based company. RCI remains the major shareholder at 35% of the Parent Company while First Pacific has 34% equity ownership as it acquired additional shares of stock of the Parent Company from other stockholders.

As at September 30, 2014 and 2013, the Parent Company has 2,176 and 2,232 equity holders.

The corporate office of the Parent Company is located at the 6th Floor, Cacho-Gonzales Building, 101 Aguirre Street, Legaspi Village, Makati City, while the manufacturing plants of its operating subsidiaries are in Barrio Lumbangan, Nasugbu, Batangas and Barrio Consuelo, La Carlota City, Negros Occidental.

<u>Corporate Reorganizations</u>

Following the Reorganization Program as approved by the SEC on December 11, 2001, RHI was transformed into a diversified holding and investment corporation, while its subsidiary, CADP Group Corporation (CADPGC), emerged as a holding and investment company with specific focus on sugar milling and refining business. In 2008, RHI increased its equity ownership in CADPGC from 89.28% to 89.36% when CADPGC re-acquired portion of its shares of stock. On December 16, 2008, RHI acquired CADPGC's sugar-related operating subsidiaries (Central Azucarera Don Pedro, Inc. - CADPI, Central Azucarera de la Carlota, Inc. - CACI, CADPI Farm Services, Inc. - CFSI, CADPI Consultancy Services, Inc. - CCSI, Jade Orient Management Services, Inc. - JOMSI, Najalin Agri Ventures, Inc. - NAVI) and an associate (Hawaiian-Philippine Company - HPCo), including certain assets and liabilities of CADPGC. On January 23, 2009, RHI sold its investment in CADPGC to Roxas & Company, Inc. Effective June 29, 2009, upon approval by the SEC on June 23, 2009, CADPGC, as the surviving entity, merged with Roxas & Company, Inc. through a share swap, wherein 11.71 CADPGC's shares of stock were exchanged for every share of stock of Roxas & Company, Inc. On the same date, the SEC approved the change in corporate name of CADPGC to Roxas and Company, Inc. (RCI).

Approval of the Consolidated Financial Statements

The consolidated financial statements as at and for the years ended September 30, 2014 and 2013 (with comparative figures for 2012) were approved and authorized for issue by the Parent Company's BOD on December 5, 2014, as reviewed and recommended for approval by the Group's Audit and Risk Committee on December 3, 2014.

## 2. Basis of Preparation and Statement of Compliance

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for land and investment properties, which are stated at fair value. The consolidated financial statements are presented in Philippine Peso, which is the functional currency of the Parent Company and its subsidiaries. All amounts are rounded to the nearest thousands, unless otherwise indicated.

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial Reporting Standards Council and adopted by the SEC, including the SEC provisions.

The financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC).

## 3. Summary of Changes in Accounting Policies

Adoption of New and Revised PFRS

The Group adopted the following new and revised PFRS effective October 1, 2013 as summarized below:

- PAS 1, *Financial Statement Presentation, Presentation of Items of Other Comprehensive Income* - The amendment changed the presentation of items in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time should be presented separately from items that cannot be reclassified.

- PAS 19, *Employee Benefits* (Amendment) - There were numerous changes ranging from the fundamental changes such as removing the corridor mechanism in the recognition of actuarial gains or losses and the concept of expected returns on plan assets to simple clarifications and re-wording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk.

- PAS 27, *Separate Financial Statements* (as revised in 2011) - As a consequence of the new PFRS 10 and PFRS 12, PAS 27 is now limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements.

- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011) - This standard prescribes the application of the equity method to investments in associates and joint ventures.

- PFRS 7, *Financial Instruments Disclosures – Offsetting Financial Assets and Financial Liabilities* (Amendments) - The amendment requires entities to disclose information that will enable users to evaluate the effect or potential effect of netting arrangements on an entity's financial position. The new disclosure is required for all recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement.

- PFRS 10, *Consolidated Financial Statements* - The standard replaces the portion of PAS 27, *Consolidated and Separate Financial Statements,* that addresses the accounting for consolidated financial statements and SIC-12, *Consolidation - Special Purpose Entities.* It establishes a single control model that applies to all entities including special purpose entities. Management has to exercise significant judgment to determine which entities are controlled, and are required to be consolidated by a parent company.

- Amendments to PFRS 10, PFRS 11, *Joint Arrangements*, and PFRS 12: *Transition Guidance* - The amendments provide additional transition relief in PFRS 10, PFRS 11, and PFRS 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Furthermore, for disclosures related to unconsolidated structured entities, the amendments removed the requirement to present comparative information for periods before PFRS 12 is first applied.

- PFRS 12, *Disclosure of Interests in Other Entities* - The standard includes all of the disclosures that were previously in PAS 27, *Consolidated and Separate Financial Statements,* related to consolidated financial statements, as well as all of the disclosure requirements that were previously included in PAS 31, *Interests in Joint Ventures,* and PAS 28, *Investments in Associates and Joint Ventures.* These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.

- PFRS 13, *Fair Value Measurement* - The standard establishes a single source of guidance under PFRS for all fair value measurements. It does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted.

- Improvements to PFRS

  The omnibus amendments to PFRS issued in May 2012, which are effective for annual periods beginning on or after January 1, 2013, were issued primarily to clarify accounting and disclosure requirements to assure consistency in the application of the following standards:

  - PAS 1, *Presentation of Financial Statements*
  - PAS 16, *Property, Plant and Equipment*
  - PAS 32, *Financial Instruments: Presentation*

The adoption of the foregoing new and revised PFRS, except for the amended PAS 19, did not have any material effect on the consolidated financial statements.

The following tables summarize the effect of the adoption of the amended PAS 19:

| | September 30, 2013 | | |
|---|---|---|---|
| | As Previously Reported | Prior Period Adjustments | As restated |
| Retirement assets | ₱124,731 | (₱124,731) | ₱– |
| Investment in an associate | 614,268 | (2,341) | 611,927 |
| Retirement liabilities | 14,742 | 211,203 | 225,945 |
| Net deferred tax assets | 31,718 | 62,374 | 94,092 |
| Net deferred tax liabilities | 798,491 | (38,406) | 760,085 |
| Cumulative remeasurement loss on retirement assets and liabilities, beginning | – | (108,991) | (108,991) |
| Cumulative remeasurement loss on retirement assets and liabilities, ending | – | (293,538) | (293,538) |
| Retained earnings, beginning | 1,860,496 | 48,730 | 1,909,226 |
| Retained earnings, ending | 2,242,475 | 61,134 | 2,303,609 |
| Net income attributable to equity holders of Parent Company | 473,380 | 11,957 | 485,337 |
| Cumulative share in remeasurement loss on retirement asset of an associate, ending | – | (5,091) | (5,091) |

| | September 30, 2012 | | |
|---|---|---|---|
| | As Previously Reported | Prior Period Adjustments | As restated |
| Retirement assets | ₱128,711 | (₱39,958) | ₱88,753 |
| Investment in an associate | 569,472 | (3,972) | 565,500 |
| Retirement liabilities | 85,738 | 49,086 | 134,824 |
| Net deferred tax assets | 147,632 | 14,726 | 162,358 |
| Net deferred tax liabilities | 794,654 | (11,987) | 782,667 |
| Cumulative remeasurement loss on retirement assets and liabilities, beginning | – | (96,218) | (96,218) |
| Cumulative remeasurement loss on retirement assets and liabilities, ending | – | (108,991) | (108,991) |
| Retained earnings, beginning | 1,248,365 | 15,032 | 1,263,397 |
| Retained earnings, ending | 1,860,496 | 48,730 | 1,909,226 |
| Net income attributable to equity holders of Parent Company | 667,400 | 33,002 | 700,402 |
| Cumulative share in remeasurement loss on retirement asset of an associate, ending | – | (6,043) | (6,043) |

Additional disclosures have also been included in the notes to consolidated financial statements, as applicable.

New and Revised PFRS not yet Adopted

Relevant new and revised PFRS, which are not yet effective for the year ended September 30, 2014 and have not been applied in preparing the consolidated financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2014:

- Amendments to PFRS 10, PFRS 12 and PAS 27: *Investment Entities* - The amendments provide an exception from the requirements of consolidation for investment entities and instead require these entities to present their investments in subsidiaries as a net investment that is measured at fair value. Investment entity refers to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both.

- Amendments to PAS 32: *Offsetting Financial Assets and Financial Liabilities* - The amendments address inconsistencies in current practice when applying the offsetting criteria in PAS 32, *Financial Statements: Presentation*. The amendments clarify (a) the meaning of 'currently has a legally enforceable right of set-off'; and (b) that some gross settlement systems may be considered equivalent to net settlement.

Effective for annual periods beginning on or after July 1, 2014 –

- Amendments to PAS 24, *Related Party Disclosures - Key Management Personnel* - The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity.

Effective for annual periods beginning on or after January 1, 2015 –

- PFRS 9, *Financial Instruments: Classification and Measurement* - This standard is the first phase in replacing PAS 39, *Financial Instruments: Recognition and Measurement*, and applies to classification and measurement of financial assets as defined in PAS 39.

Under prevailing circumstances, the adoption of the foregoing new and revised PFRS is not expected to have any material effect on the consolidated financial statements. Additional disclosures will be included in the consolidated financial statements, as applicable.

## 4. Summary of Significant Accounting and Financial Reporting Policies

Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries, which it controls as at September 30 of each year. The Parent Company has control over the investee when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Following is the list of the subsidiaries:

| | Percentage of Ownership | Nature of Business | Principal Place of Business |
|---|---|---|---|
| CADPI[1] | 100% | Production and selling of raw and refined sugar, molasses and related products | Makati City and Nasugbu, Batangas |
| CACI | 100% | Production and selling of raw sugar and molasses | Makati City and Negros Occidental |
| CADP Insurance Agency, Inc. (CIAI)[2] | 100% | Insurance agency | Makati City |
| Roxol Bioenergy Corp. (RBC) | 100% | Production and selling of bioethanol fuel and trading of goods such as sugar and related products | Negros Occidental |
| CADP Port Services, Inc. (CPSI)[2] | 100% | Providing ancillary services | Makati City |
| NAVI | 77.38% | Agricultural and industrial development | Negros Occidental |
| Roxas Power Corporation (RPC)[2] | 50% | Sale of electricity | Nasugbu, Batangas |

[1] *On August 31, 2012, RHI assigned 238,417,831 RBC shares in favor of CADPI out of its 300 million RBC shares. As a result, RHI's direct ownership in RBC was reduced from 100% to 20.53% while CADPI acquired 79.47% equity ownership in RBC. Thus, making RBC a direct subsidiary of CADPI.*

[2] *Has not yet started commercial operations.*

On February 1, 2012, the BOD of RHI approved a resolution to shorten the corporate life of CPSI, CIAI and RPC effective September 30, 2012. On the same date, the BOD also approved the merger of CCSI, CFSI and JOMSI, which are non-operating subsidiaries and collectively referred to as Absorbed Companies, with CADPI. This decision was in line with the Group's move to rationalize its operations. On April 14, 2014, the SEC issued the Certificate of Filing of Articles and Plan of Merger approving the merger of CCSI, CFSI and JOMSI with CADPI, as the surviving entity.

The Company has control on RPC since it has the power to cast the majority of votes at the BOD's meetings, has rights to variable returns from the subsidiary and has the ability to affect those returns.

The consolidated financial statements are presented in Philippine Peso, which is the functional and presentation currency of the Parent Company and its subsidiaries. Each entity determines its own functional currency, which is the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity, and items included in the consolidated financial statements of each entity are measured using that functional currency.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances. Adjustments, where necessary, are made to ensure consistency with the policies adopted by the Group. All significant intercompany balances and transactions including inter-group unrealized profits and losses, are eliminated in preparing the consolidated financial statements.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date when the Parent Company obtains control and continue to be consolidated until the date when such control ceases. The results of operations of the subsidiaries acquired or disposed of during the year are included in profit and loss from the date of acquisition or up to the date of disposal, as appropriate.

Changes in the controlling equity ownership (i.e., acquisition of noncontrolling interest or partial disposal of interest over a subsidiary) that do not result in a loss of control are accounted for as equity transactions.

Noncontrolling interests represent the portion of profit or loss and net assets of NAVI and RPC, not held by the Group, directly or indirectly, and are presented separately in the consolidated statement of comprehensive income and within the equity section of the consolidated statement of financial position and consolidated statement of changes in equity, separately from the Parent Company's equity. Total comprehensive income is attributed to the portion held by the Group and to the noncontrolling interests even if this results in the noncontrolling interests having a deficit.

Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at fair value on acquisition date and the amount of any noncontrolling interest in the acquiree. For each business combination, the acquirer measures the noncontrolling interest in the acquiree either at fair value or at its proportionate share in the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed and included in general and administrative expenses. The excess of the cost of acquisition over the fair value of the Parent Company's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Parent Company's share of the net assets of the subsidiary acquired, the difference is recognized directly in profit or loss.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

*Common Control Transactions.* Where there are business combinations in which all the combining entities within the Group are ultimately controlled by the same ultimate parent before and after the business combination and that the control is not transitory ("business combinations under common control"), the Group accounts such business combinations under the acquisition method of accounting, if the transaction was deemed to have substance from the perspective of the reporting entity. In determining whether the business combination has substance, factors such as the underlying purpose of the business combination and the involvement of parties other than the combining entities such as the noncontrolling interest, are being considered.

In cases where the business combination has no substance, the Parent Company accounts for the transaction similar to a pooling of interests. The assets and liabilities of the acquired entities and that of the Group are reflected at their carrying values. The difference in the amount recognized and the fair value of the consideration given, is accounted for as an equity transaction (i.e., as either a contribution or distribution of equity). Further, when a subsidiary is transferred in a common control transaction, the difference in the amount recognized and the fair value of consideration received, is also accounted for as an equity transaction. The Group recognized the difference as "Excess of consideration received over carrying amounts of net assets of a subsidiary transferred to the Parent Company" and presented as a separate component of equity in the consolidated statement of financial position.

Comparatives balances are restated to include balances and transactions as if the entities have been acquired at the beginning of the earliest year presented and as if the entities have always been combined.

*Goodwill.* Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss. 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 acquire are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative exchange differences arising from the translation and goodwill is recognized in profit or loss.

The goodwill on investment in an associate is included in the carrying amount of the related investment.

Financial Instruments

*Date of Recognition.* The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of financial assets are recognized on the trade date, i.e., the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of the assets within the period generally established by regulation or convention in the market place.

*Initial Recognition of Financial Instruments.* Financial instruments are recognized initially at fair value of the consideration given (in the case of an asset) or received (in the case of a liability. Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments measured at fair value through profit or loss (FVPL). Fair value is determined by reference to the transaction price or other market prices. If such market prices are not readily determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rate of interest for similar instruments with similar maturities.

*Day 1 Difference.* Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data observable from the market, the Group recognizes the difference between the transaction price and fair value (a day 1 difference) in profit or loss unless it qualifies for recognition as some other type of asset. For each transaction, the Group determines the appropriate method of recognizing a day 1 difference amount.

*Classification of Financial Instruments.* Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are recognized as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

The Group classifies its financial assets in the following categories: FVPL financial assets, loans and receivables, held-to-maturity (HTM) investments and available-for-sale (AFS) financial assets. The Group classifies its financial liabilities as either financial liabilities at FVPL or other financial liabilities. The classification of financial instruments depends on the purpose for which these were acquired and whether these are quoted in an active market. The Group determines the classification of its financial assets and liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

The Group does not have financial instruments classified as financial assets or liabilities at FVPL, HTM investments and AFS financial assets as at September 30, 2014 and 2013.

*Loans and Receivables.* Loans and receivables are non-derivative financial assets with fixed or determinable payments and maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL.

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest method, less any impairment in value. Any interest earned on loans and receivables is recognized as part of "Interest income" recognized in profit or loss on an accrual basis. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate. The periodic amortization is also included as part of "Interest income" recognized in profit or loss. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired, as well as through the amortization process.

Loans and receivables are included in current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.

Classified as loans and receivables are the Group's cash in banks, cash equivalents, trade receivables, due from related parties, due from employees, other receivables and restricted cash included under "Other current assets" as at September 30, 2014 and 2013 (see Notes 6, 7, 9 and 18).

Cash equivalents include short-term highly liquid interest-bearing fund placements with original maturities of three months or less from the date of acquisition and subject to insignificant risk in fluctuations in value.

Trade receivables with average credit terms of 15 to 90 days are recognized and carried at original invoice amount less any allowance for impairment losses.

*Other Financial Liabilities.* Other financial liabilities pertain to financial liabilities that are not held for trading and are not designated at FVPL upon the inception of the liability. These include liabilities arising from operating (e.g., trade and other payables, excluding statutory liabilities and provision for probable losses) and financing (e.g., short and long-term borrowings, due to related parties, dividends payable) activities.

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the term of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of reporting year.

Trade and other payables are recognized in the year in which the related money, goods or services are received or when a legally enforceable claim against the Group is established. These are measured at amortized cost, normally equal to nominal amount.

Other financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium (or discount) and any directly attributable transaction costs.

This category includes trade and other payables (excluding statutory liabilities and provision for probable losses), short-term and long-term borrowings and dividends payable as at September 30, 2014 and 2013 (see Notes 13, 14, 15 and 18).

*Derecognition of Financial Assets and Liabilities.* A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to pay.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Group could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in profit or loss.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring

*Offsetting Financial Instruments.* Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

*Impairment of Financial Assets.* The Group assesses at the end of each reporting year whether a financial asset or a group of financial assets is impaired.

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of impairment loss is recognized in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Objective evidence includes observable data that comes to the attention of the Group about loss events such as, but not limited to, significant financial difficulty of the counterparty, a breach of contract, such as a default or delinquency in interest or principal payments, or the increasing probability that the borrower will enter bankruptcy or other financial reorganization. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the group of financial assets with similar credit risk and characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is recognized are not included in a collective assessment of impairment. The impairment assessment is performed at the end of each reporting year. For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics such as customer type, payment history, past due status and term.

Loans and receivables, together with the related allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV).

*Raw and Refined Sugar, Molasses and Alcohol Inventories.* Cost is being determined using the weighted average method. Production cost is allocated using the relative sales value of each of the joint products, i.e., raw and refined sugar and molasses. The cost of alcohol includes direct materials and labor and a proportion of manufacturing overhead costs with unit cost determined using the moving average method. NRV is the estimated selling price in the ordinary course of business, less the estimated costs to complete of production and the estimated costs necessary to make the sale.

*Materials and Supplies Inventory.* Cost is being determined using the moving average method. NRV is the current replacement cost.

Provision for inventory losses and obsolescence is provided for slow moving, obsolete, defective and damaged inventories based on physical inspection and management evaluation.

Other Current Assets

This account consists of creditable withholding taxes, input value-added tax (VAT) and prepayments. Creditable withholding taxes are deducted from income tax payable on the same period the revenue was recognized. Prepayments that are expected to be realized for no more than 12 months after the reporting year are classified as current assets. Otherwise, these are classified as other noncurrent assets.

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 taxation 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 taxation authority is included as part of "Other current assets" and "Trade and other payables" accounts, respectively, in the consolidated statement of financial position.

Investment in an Associate

Investment in an associate initially recognized at cost, is subsequently accounted for using the equity method.

An associate is an entity in which the Group has significant influence but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting rights of the entity.

The share of its associate's post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in reserves is recognized in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments in behalf of the associate. Unrealized gains on transactions between the Group and its associate are eliminated to the extent of the interest in the associate. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The financial statements of the associate are prepared for the same reporting year of the Parent Company. Adjustments, where necessary, are made to ensure consistency with the policies adopted by the Group.

Property, Plant and Equipment

Property, plant and equipment are carried at historical cost less accumulated depreciation, amortization and any impairment in value, except for land, which is stated at revalued amount less any impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the asset, including borrowing costs on qualifying assets.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged to profit or loss in the year incurred.

Construction in progress, which represents assets under construction, is stated at cost and depreciated only from such time as the relevant assets are completed and put into intended operational use. Upon completion, these properties are reclassified to the appropriate category.

The net appraisal increment resulting from the revaluation of land is presented as "Revaluation increment on land," net of related deferred tax, in the consolidated statement of financial position and consolidated statement of changes in equity. The Parent Company's share in net appraisal increase resulting from the revaluation of land of an associate is presented as "Share in revaluation increment on land of an associate," net of related deferred tax, in the consolidated statement of financial position and consolidated statement of changes in equity. Increases in the carrying amount arising on revaluation of properties are recognized in profit or loss and credited to revaluation increment on land, net of related deferred tax, in the consolidated statement of changes in equity. Any resulting decrease is directly charged against the related revaluation increment to the extent that the decrease does not exceed the amount of the revaluation in respect of the same asset. All other decreases are charged to profit or loss. Valuations are performed frequently enough to ensure that the fair value of land does not differ significantly from its carrying amount.

The portion of revaluation increment on land, net of related deferred tax, realized upon disposal of the property is transferred to retained earnings.

Depreciation and amortization are calculated using the straight-line method to allocate the cost over the estimated useful lives, as follows:

| Asset Category | Number of Years |
|---|---|
| Buildings and improvements | 10 to 30 |
| Machinery and equipment: | |
| Factory machinery and installations | 17 to 25 |
| Safety equipment | 5 |
| Transportation equipment | 3 to 6 |
| Office furniture, fixtures and equipment | 3 to 5 |

Depreciation and amortization commence when an asset is in its location or condition capable of being operated in the manner intended by management. Depreciation and amortization cease at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations,* and the date the asset is derecognized.

Major repairs and maintenance that qualified for capitalization are depreciated and amortized over the remaining useful life of the related asset.

The asset's estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and accumulated depreciation and impairment are derecognized. Gains and losses on retirement or disposal are determined by comparing the proceeds with carrying amount of the asset and are recognized in profit or loss.

Fully depreciated property and equipment are retained in the books until these are no longer in use.

Investment Properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Gains or losses arising from changes in fair value of investment properties are included in profit or loss in the year in which these arise.

The fair value of investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's-length transaction. Fair value specifically excludes an estimated price inflated or deflated by special terms or circumstances such as typical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale. The fair value of investment property should reflect market conditions at the end of the reporting year.

Derecognition of an investment property will be triggered by a change in use or by sale or disposal. Gain or loss arising on disposal is calculated as the difference between any disposal proceeds and the carrying amount of the related asset, and is recognized in profit or loss.

Transfers are made to investment property when, and only when, there is change in use, evidenced by cessation of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell.

Fair Value Measurement
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 market 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 year.

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 in the foregoing.

Further information about the assumptions made in measuring fair value is included in the following notes:

- Note 5, Significant Judgments, Accounting Estimates and Assumptions – Valuation of Land under Revaluation Basis and Determination of Fair Value of Investment Properties
- Note 11, Property, Plant and Equipment
- Note 12, Investment Properties
- Note 28, Financial Instruments

Other Noncurrent Assets
Other noncurrent assets include goodwill, software cost and deposits. Goodwill represents excess of purchase price over fair values of net assets amounting to ₱9.8 million.

Software cost is measured on initial recognition at cost. Following initial recognition, software cost is carried at cost less any accumulated amortization and impairment losses, if any. The software cost is amortized on a straight-line basis over its estimated economic useful life of three years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization commences when the software cost is available for use. The period and the method of amortization for the software cost are reviewed at each financial year end.

Gains and losses arising from derecognition of software cost are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized

Impairment of Nonfinancial Assets

The carrying values of property, plant and equipment, investment in an associate, and other nonfinancial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, except for goodwill acquired in a business combination which is reviewed for impairment annually. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Nonfinancial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment losses are recognized in profit or loss under the expense category consistent with the function of the impaired asset. Impairment loss recognized during interim period in respect to goodwill or investment, should not be reversed at year end.

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. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss 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 are adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Equity

*Capital Stock and Additional Paid-in Capital*

Capital stock is measured at par value for all shares issued. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from proceeds. The excess of proceeds from issuance of shares over the par value of shares are credited to additional paid-in capital.

*Treasury Stock*
Where the Parent Company purchases its own capital stock (treasury stock), the consideration paid, including any directly attributable incremental costs (net of related taxes), is deducted from equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transactions costs and the related taxes, is included in equity attributable to the equity holders of the Parent Company.

*Retained Earnings*
Retained earnings represent the cumulative balance of net income or loss, dividend distributions, effects of the changes in accounting policy and other capital adjustments.

*Dividend Distribution*
Dividend distribution to the Parent Company's stockholders and the noncontrolling interests is recognized as a liability and deducted from equity in the year in which the dividends are declared as approved by the BOD of respective entities. Dividends that are approved after the reporting year are dealt with as an event after the reporting year.

Other Comprehensive Income (Loss)
Other comprehensive income (loss) comprises items of income and expenses (including items previously presented under the consolidated statement of changes in equity) that are not recognized in profit or loss for the year in accordance with PFRS.

Revenue Recognition
Revenue comprises the fair value of the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of output VAT, returns and discounts.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow into the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved.

*Sale of Raw Sugar*
Sale of raw sugar is recognized upon (a) endorsement and transfer of quedans for quedan-based sales and (b) shipment or delivery and acceptance by the customers for physical sugar sales.

*Sale of Refined Sugar and Alcohol*
Sale of refined sugar and alcohol is recognized upon shipment or delivery and acceptance by the customers.

*Sale of Molasses*
Sale of molasses is recognized upon transfer of molasses warehouse receipts, which represents ownership title over the molasses inventories.

*Bill and Hold Sales*
Bill and hold sales are recognized when all criteria are met:

a. It is probable that delivery will be made;
b. The item is on hand, identified and ready for delivery to the buyer at the time the sale is recognized;

c. The buyer specifically acknowledges the deferred delivery instructions; and
d. The usual payment terms apply.

*Revenue from Tolling Services*
Revenue from tolling services is recognized when the equivalent refined sugar is produced from raw sugar owned by tollees.

*Rental Income*
Rental income from operating leases is recognized on a straight line basis over the lease term.

*Interest income*
Interest income is recognized on a time proportion basis using the effective interest method.

*Other income*
Other income is recognized when the earning process is complete and the flow of economic benefit is reasonably assured.

Costs and Expenses Recognition
Cost and expenses are recognized in profit or loss upon receipt of goods, utilization of services, or at the date the cost and expenses are incurred.

*Cost of Goods Sold*
Cost of goods sold includes direct materials and labor costs, and those related indirect cost incurred. It is recognized as expense when related goods are sold.

*Selling, General and Administrative Expenses*
Selling expenses are costs incurred to sell or distribute goods. General and administrative expenses are costs of administering the business such as salaries and wages of administrative department, professional fees, management fees and rental and utilities and general office expenses. These costs are expensed when incurred.

Employee Benefits
*Short-term Employee Benefits*
The Group recognizes a liability, net of amounts already paid, and an expense for services rendered by employees during the reporting year. A liability is also recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Short-term employee benefits liabilities are measured on an undiscounted basis and are expensed as the related service is provided.

*Retirement Benefits*
The retirement benefits cost is determined using the projected unit credit method, which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Group recognizes service costs, comprising of current service costs, past service costs, gains and losses on curtailments and non-routine settlements; and interest cost or income in profit or loss. Net interest is calculated by applying the discount rate to the retirement liability or asset.

Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment or curtailment; and the date that the Group recognizes restructuring-related costs.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on retirement liability or asset) are recognized immediately in other comprehensive income in the year in which these arise. Remeasurements are not reclassified to profit or loss in subsequent years.

The retirement liability or asset is the aggregate of the present value of the retirement liability and the fair value of plan assets on which the obligations are to be settled directly. The present value of the retirement liability is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the consolidated financial statements do not differ materially from the amounts that would be determined at the reporting date.

*Termination Benefits*
Termination benefits are payable when employment is terminated before the retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after end of reporting year are discounted to present value.

Employee Stock Option
Regular employees (including directors) receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for rights over shares ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value of the stock options at the date at which these are granted. The fair value of the stock options is determined using an option-pricing model, further details of which are presented in Note 19. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of RHI ("market conditions"), if applicable.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period until employees become fully entitled to the award ("vesting date"). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the best estimate of the number of awards that will ultimately vest. The change or credit for a year represents the movement in cumulative expense recognized as at the beginning and end of that year.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, an expense, at a minimum, is recognized as if the terms had not been modified. An expense is recognized for any increase in the value of the transactions as a result of the modification, as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if these were modifications of the original award, as described in the previous paragraph.

The dilutive effect of outstanding stock option is reflected as additional share dilution in the computation of earnings per share (see Note 26).

Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction of a qualifying asset, which necessarily takes a substantial period of time to prepare for its intended use are included in the cost of that asset. Such borrowing costs are capitalized as part of the cost of the asset when it is probable that these will result in future economic benefits to the Group and the costs can be measured reliably. Other borrowing costs are recognized as expense when incurred.

Capitalization of borrowing costs is suspended during extended period in which the Group suspends active development of a qualifying asset and ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are complete. An asset is normally ready for its intended use when the physical construction of the asset is complete even though routine administrative work might still continue.

Leases

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

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

Leases where a significant portion of the risks and benefit of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Provisions and Contingencies

Provision for environmental restoration, restructuring costs and legal claims are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Provisions are reviewed at the end of each reporting year and adjusted to reflect the current best estimate.

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

Foreign Currency-Denominated Transactions and Translations

Items included in the consolidated financial statements of each of the Group's entities are measured using the functional currency.

Transactions denominated in foreign currencies are recorded using the exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the closing rate of exchange at the end of reporting year. Foreign exchange differences are credited or charged directly in profit or loss.

Income Taxes

*Current Tax*

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rate and the tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting year.

*Deferred Tax*

Deferred tax is provided on all temporary differences at the end of reporting year between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred tax liability is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss. However, deferred tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries, associates and interests in joint ventures. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits (excess of minimum corporate income taxes or MCIT over regular corporate income taxes or RCIT) and unused tax losses (net operating loss carryover or NOLCO), to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and unused tax losses can be utilized.

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

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

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in relation to the underlying transaction either in other comprehensive income or directly in equity.

Related Party Relationships and Transactions

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity, or between, and/or among the reporting entity and its key management personnel, directors or its stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely to the legal form.

Earnings per Share

The Group presents basic and diluted earnings per share. Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the year, excluding common shares purchased by the Parent Company and held as treasury shares. Diluted earnings per share is calculated in the same manner, adjusted for the effects of all the dilutive potential common shares.

Segment Reporting

For purposes of management reporting, the Group's operating businesses are organized and managed separately on a per company basis, with each company representing a strategic business segment.

Operating segments are components of the Group: (a) that engage in business activities from which these may earn revenue and incur expenses (including revenue and expenses relating to transactions with other components of the Group); (b) whose operating results are regularly reviewed by the Group's senior management, its chief operating decision maker, to make decisions about resources to be allocated to the segment and assess its performance; and (c) for which discrete financial information is available.

Events After the Reporting Year
Post year-end events that provide additional information about the Group's financial position at the end of reporting year (adjusting events) are reflected in the consolidated financial statements when material. Post year-end events that are non-adjusting events are disclosed in the notes to consolidated financial statements when material.

## 5. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the consolidated financial statements requires the Group to exercise judgment, make estimates and use assumptions that affect the reported amounts of assets, liabilities, income and expenses and related disclosures. The Group makes estimates and uses assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as these become reasonably determinable.

Judgments, estimates and assumptions are continuously 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 Group believes the following represent a summary of significant judgments, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities, as well as to the related revenues and expenses, within the next fiscal year, and related impact and associated risk in the consolidated financial statements.

Judgments
In the process of applying the Group's accounting policies, management exercised judgment on the following items, apart from those involving estimations, which has the most significant effect on the amounts recognized in the consolidated financial statements.

*Determination of Operating Segments*
Determination of operating segments is based on the information about components of the Group that management uses to make decisions about operating matters. Operating segments use internal reports that are regularly reviewed by the Parent Company's chief operating decision maker, which is defined to be the Parent Company's BOD, in order to allocate resources to the segment and assess its performance. The Parent Company reports separate information about an operating segment that meets any of the following quantitative thresholds: (a) its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments; (b) the absolute amount of its reported profit or loss is 10% or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss; and (c) its assets are 10% or more of the combined assets of all operating segments.

The Group determined that its operating segments are organized and managed separately on a per company basis, with each company representing a strategic business segment and it has right to variable returns from the subsidiary and has the ability to affect those returns. Reportable operating segments as at September 30, 2014 and 2013 are RHI, CADPI, CACI, RBC and others (see Note 29).

*Determination if Control Exists in an Investee Company*
Control is presumed to exist when the Parent Company owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity unless, in exceptional circumstances, it can be clearly demonstrated that such ownership does not constitute control. Management has determined that despite having only 50% equity ownership in RPC, it has control over RPC by virtue of its rights to variable returns from the subsidiary and ability to affect those returns.

*Classification of Leases*
Management exercises judgment in determining whether substantially all the significant risks and benefits of ownership of the assets held for lease are retained by the Group. Lease contracts in which the Group retains substantially all the risks and benefits incidental to ownership of the leased item are accounted for as operating leases. Otherwise, these are considered as finance leases.

*Operating Lease* – The *Group as a Lessee.* The Group, as a lessee, has various property leases covering several heavy handling equipment, service vehicles and office space of RHI, where it has determined that the risks and benefits related to these properties are retained with the lessors. Accordingly, these lease agreements are accounted for as operating leases.

Rent expense charged to operations amounted to ₱110.7 million and ₱83.6 million, included in "Cost of goods sold" and "General and administrative expenses" accounts, in 2014 and 2013, respectively (₱74.1 million in 2012) (see Notes 21 and 22).

*Operating Lease - The Group as a Lessor.* Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Rent income is recognized on a straight-line basis over the lease term of the lease, as applicable.

Rent income included under "Other income" account amounted to ₱7.7 million and ₱6.6 million in 2014 and 2013, respectively (₱5.8 million in 2012) (see Note 24).

*Classification of Properties*
Management determines the classification of a property depending on its use. The Group classifies its owner-occupied properties as property, plant and equipment. Properties held to earn rentals or for capital appreciation are classified as investment properties. The change of use of properties will trigger a change in classification and accounting of these properties.

The Group classified and accounted the land of NAVI and parcel of land of Parent Company held for rent or capital appreciation as investment properties. As at September 30, 2014 and 2013, the carrying value of investment properties amounted to ₱206.0 million and ₱191.8 million, respectively (see Note 12).

<u>Estimates and Assumptions</u>
The key assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal years are discussed below.

*Estimation of Provision for Impairment Losses on Receivables*
The provision for impairment losses on receivables is estimated based on two methods. The amounts calculated using each of these methods are combined to determine the total amount to be provided. First, specific accounts are evaluated based on information that certain customers may be unable to meet their financial obligations. In these cases, the Group applies judgment, in

recording specific allowances against amounts due to reduce receivable amounts expected to be collected, based on the best available facts and circumstances, including but not limited to, the length of relationship with the customer and the customer's current credit status based on third party credit reports and known market factors, to record specific allowances against amounts due to reduce receivable amounts expected to be collected. These specific allowances are re-evaluated and adjusted as additional information received impacts the amounts estimated. Second, a collective assessment of historical collection, write-off, experience and customer payment terms is determined. The amount and timing of recorded expenses for any year could therefore differ based on the judgments or estimates made. An increase in the Group's allowance for impairment of receivables would increase its recorded general and administrative expenses and decrease its current assets.

As at September 30, 2014 and 2013, respectively, trade and other receivables amounted to ₱1,105.3 million and ₱1,371.4 million (see Note 7). Allowance for impairment losses of trade and other receivables amounted to ₱79.3 million and ₱119.2 million as at September 30, 2014 and 2013, respectively (see Note 7).

*Determination of NRV of Inventories*
The Group's estimates of the NRV of inventories are based on the most reliable evidence available at the time the estimates are made, of the amount that the inventories are expected to be realized. These estimates consider the fluctuations of price or cost directly relating to events occurring after the end of the reporting period to the extent that such events confirm conditions existing at the end of the reporting period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is a clear evidence of an increase in NRV because of change in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised NRV.

As at September 30, 2014 and 2013, the inventories carried at lower of cost or NRV amounted to ₱558.5 million and ₱1,550.9 million, respectively (see Note 8). Allowance for inventory losses and obsolescence amounted to ₱16.9 million and ₱18.0 million as at September 30, 2014 and 2013, respectively (see Note 8).

*Allocation of Cost to Molasses Inventory*
Management uses judgment to measure and allocate value to the molasses inventory. When the costs of conversion of each product are not separately identifiable, these are allocated among the products on a rational and consistent basis. The allocation is based on relative sales value of cane products at the completion of production. When the cost of molasses is deemed immaterial, this is measured at NRV and the value is deducted from the cost of the raw and refined sugar.

As at September 30, 2014 and 2013, portion of molasses inventory amounting to ₱2.0 million and ₱20.5 million, respectively, pertains to allocated cost from the total production costs of milled raw and refined sugar (see Note 8).

*Estimation of Provision for Unrecoverable Creditable Withholding Taxes*
Provision for unrecoverable creditable withholding taxes is maintained at a level considered adequate to provide for potentially unrecoverable claims. The Group, on a continuing basis, makes a review of the status of the claims, designed to identify those to be provided with any impairment losses. In these cases, management uses judgment based on the best available facts and circumstances. The amount and timing of recorded expenses for any period would differ based on the judgments or estimates made.

As at September 30, 2014 and 2013, carrying value of creditable withholding taxes amounted to ₱260.1 million and ₱208.0 million, respectively (see Note 9). Allowance for impairment losses amounted to ₱13.6 million as at September 30, 2014 and 2013, respectively (see Note 9).

*Valuation of Land under Revaluation Basis*
The land is carried at revalued amount, which approximates its fair value at the date of the revaluation (various dates in 2014) less any accumulated impairment losses. The valuation of land is performed by professionally qualified independent appraisers. The fair value was arrived at using the Market Data Approach for land based on the gathered available market evidences. Revaluations are made on a regular basis to ensure that the carrying amounts do not differ materially from those which would be determined using fair values at the end of reporting year.

Land carried at revalued amounts as at September 30, 2014 and 2013 amounted to ₱3,779.6 million and ₱2,757.8 million, respectively (see Note 11).

The resulting increase in the valuation of these assets based on the valuations made by an independent appraiser is presented under "Revaluation increment on land," net of the related deferred tax, and "Share in revaluation increment on land of an associate," net of the related deferred tax in the equity section of the consolidated statements of financial position and in the consolidated statements of changes in equity.

*Estimation of Useful Lives of Property, Plant and Equipment*
The useful life of each of the items of property, plant and equipment is estimated based on the year over which the asset is expected to be available for use. Such estimation is based on a collective assessment of practices of similar businesses, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and 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 asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by the changes in the factors mentioned in the foregoing. A change in the estimated useful life of any item of property, plant and equipment would impact the recorded cost and expenses and noncurrent assets.

The carrying value of the depreciable property, plant and equipment as at September 30, 2014 and 2013 amounted to ₱7,617.5 million and ₱7,892.5 million, respectively (see Note 11).

*Determination of Fair Value of Investment Properties*
The fair value of the investment properties was determined by professionally qualified independent appraisers using Market Data Approach based on gathered available market evidences. The latest apparaisal report were made on various dates of 2014.

Investment properties stated at fair value amounted to ₱206.0 million and ₱191.8 million as at September 30, 2014 and 2013, respectively (see Note 12).

*Assessment of Impairment of Nonfinancial Assets*
The Group assesses at the end of each reporting year whether there is any indication that the nonfinancial assets listed below may be impaired. If such indication exists, the Group estimates the recoverable amount of the asset, which is the higher of an asset's fair value less costs to sell and its value-in-use. In determining fair value, an appropriate valuation model is used, which can be based on quoted prices or other available fair value indicators. In estimating the value-in-use, the Group is required to make an estimate of the expected future cash flows from the cash

generating unit and also to choose an appropriate discount rate in order to calculate the present value of those cash flows.

Determining the recoverable amounts of the nonfinancial assets listed below, which involves the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the use of estimates and assumptions that can materially affect the consolidated financial statements. Future events could indicate that these nonfinancial assets may be impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations of the Group.

The preparation of estimated future cash flows involves significant judgment and estimations. While the Group believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect its assessment of recoverable values and may lead to future additional impairment changes.

Nonfinancial assets that are subject to impairment testing when impairment indicators are present such as obsolescence, physical damage, significant changes to the manner in which the asset is used, worse than expected economic performance, a drop in revenue or other external indicators, are as follows:

| | Note | **2014** | 2013 |
|---|---|---|---|
| Property, plant and equipment | 11 | **₱11,397,095** | ₱10,650,311 |
| Investment in an associate | 10 | **630,106** | 614,268 |

There are no indications of possible impairment on the foregoing nonfinancial assets. Accordingly, the Group has not recognized any impairment losses on nonfinancial assets in 2014 and 2013.

*Determination of Retirement Benefits*
The determination of the cost of retirement benefits and related retirement liability is dependent on the selection of certain assumptions used by the actuary in calculating such amounts. Those assumptions, which include among others, discount rates and rate of salary increase are described in Note 16.

Actual results that differ from the assumptions are accumulated and are recognized as part of equity. While management believes that the assumptions are reasonable and appropriate, significant differences in the Group's actual experience of significant changes in the assumptions may materially affect the retirement liability.

As at September 30, 2014 and 2013, retirement liabilities amounted to ₱168.9 million and ₱225.9 million, respectively, while retirement assets amounted to ₱134.9 million as at September 30, 2014 (see Note 16). Net retirement benefits expense amounted to ₱45.0 million and ₱38.0 million in 2014 and 2013, respectively (₱130.5 million in 2012) (see Note 16).

*Estimation of Provisions and Contingencies*
The Group provides for present obligations (legal or constructive) where it is probable that there will be an outflow of resources embodying economic benefits that will be required to settle said obligations. An estimate of the provision is based on known information at the end of reporting period, net of any estimated amount that may be reimbursed to the Group. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. The amount of provision is being re-assessed at least on an annual basis to consider new relevant information.

The Group is involved in various other labor disputes, litigations, claims and tax assessments that are normal to its business. Based on the opinion of the Group's legal counsels on the progress and legal grounds of certain claims and assessments, no additional provision is deemed necessary in 2014 and 2013. The Group has provision for probable losses amounting to ₱16.2 million and ₱48.4 million as at September 30, 2014 and 2013, respectively (see Note 27).

*Assessment of the Realizability of Deferred Tax Assets*
The Group reviews the carrying amounts at the end of each reporting year and reduces the amount of deferred tax assets to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets amounted to ₱72.2 million and ₱94.1 million as at September 30, 2014 and 2013, respectively (see Note 25).

Deferred tax assets were not recognized on certain deductible temporary differences and carryforward benefits of NOLCO and MCIT with income tax effect amounting to ₱3.1 million and ₱9.3 million as at September 30, 2014 and 2013, respectively (see Note 25). Management believes that it may not be probable that future taxable profit will be available in the near future against which the deferred tax assets can be utilized.

## 6. Cash and Cash Equivalents

This account consists of:

| | **2014** | 2013 |
|---|---|---|
| Cash on hand | **₱3,955** | ₱1,155 |
| Cash in banks | **102,077** | 148,868 |
| Cash equivalents | **–** | 15,930 |
| | **₱106,032** | ₱165,953 |

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are made at varying periods up to 90 days, depending on the immediate cash requirements of the Group. Cash equivalents earn interest of nil and 0.3% to 0.4% in 2014 and 2013, respectively.

Interest income earned arises from the following:

| | Note | 2014 | 2013 | 2012 |
|---|---|---|---|---|
| Advances to planters and cane haulers | 7 | **₱567,213** | ₱1,082,636 | ₱2,491,901 |
| Cash in banks and cash equivalents | | **556,211** | 1,303,360 | 2,433,169 |
| Advances to officers and employees | 7 | **–** | – | 1,343,439 |
| | 24 | **₱1,123,424** | ₱2,385,996 | ₱6,268,509 |

## 7. Trade and Other Receivables

This account consists of:

| | Note | 2014 | 2013 |
|---|---|---|---|
| Trade | | **₱983,465** | ₱1,274,384 |
| Due from: | | | |
| Related parties | 18 | **71,447** | 83,971 |
| Planters and cane haulers | | **50,642** | 45,955 |
| Employees | | **32,610** | 33,695 |
| Advances for raw sugar purchases | | **21,887** | 18,222 |
| Others | | **24,559** | 34,400 |
| | | **1,184,610** | 1,490,627 |
| Allowance for impairment losses | | **(79,293)** | (119,195) |
| | | **₱1,105,317** | ₱1,371,432 |

Trade receivables are unsecured, noninterest-bearing with credit terms ranging 15 to 90 days.

Due from planters and cane haulers pertains to noninterest-bearing cash advances, which will be settled in the form of raw sugar by the planters and services rendered by the cane haulers. Interest income earned on due from planters and cane haulers amounted to ₱0.6 million and ₱1.1 million in 2014 and 2013, respectively (₱2.5 million in 2012) (see Note 6).

Due from employees include housing, educational loans and advances for business purposes subject to liquidation that are collected from the employees through salary deduction. The loans to employees are noninterest-bearing, except for certain housing loans extended in 2008 to its employees, which bear interest of 8.0% and are payable until 2018. The Group waived the interest in 2014 and 2013 (₱1.3 million in 2012) (see Note 6).

Other receivables, which are normally settled within one year, also include advances to suppliers and contractors and other nontrade receivables.

Details and movements of allowance for impairment losses on trade and other receivables follow:

| | 2014 | | | | | |
|---|---|---|---|---|---|---|
| | Note | Trade | Due from Planters and Cane Haulers | Due from Employees | Others | Total |
| Balance at beginning of year | | ₱92,556 | ₱14,130 | ₱1,342 | ₱11,167 | ₱119,195 |
| Reversals | 22 | (38,435) | (1,583) | – | – | (40,018) |
| Provisions | 22 | – | – | 116 | – | 116 |
| Reclassification | | (14,945) | 16,787 | (725) | (1,117) | – |
| Balance at end of year | | ₱39,176 | ₱29,334 | ₱733 | ₱10,050 | ₱79,293 |

| | 2013 | | | | | |
|---|---|---|---|---|---|---|
| | Note | Trade | Due from Planters and Cane Haulers | Due from Employees | Others | Total |
| Balance at beginning of year | | ₱98,878 | ₱11,882 | ₱1,342 | ₱9,466 | ₱121,568 |
| Write-offs | | (8,122) | (480) | – | (7) | (8,609) |
| Provisions | 22 | 1,800 | 2,728 | – | 1,708 | 6,236 |
| Balance at end of year | | ₱92,556 | ₱14,130 | ₱1,342 | ₱11,167 | ₱119,195 |

## 8. Inventories

This account consists of:

| | 2014 | 2013 |
|---|---|---|
| At NRV: | | |
| Materials and supplies | ₱399,739 | ₱295,013 |
| Raw sugar | – | 244,666 |
| At cost: | | |
| Refined sugar | 79,101 | 523,636 |
| Molasses | 72,564 | 161,019 |
| Raw sugar | 6,790 | – |
| Alcohol | 295 | 326,560 |
| | ₱558,489 | ₱1,550,894 |

Cost of inventories valued at NRV is shown below:

| | 2014 | 2013 |
|---|---|---|
| Materials and supplies | ₱416,599 | ₱311,873 |
| Raw sugar | – | 245,807 |
| | ₱416,599 | ₱557,680 |

Details and movements of allowance for inventory losses and obsolescence follow:

| | 2014 | | |
|---|---|---|---|
| | **Raw and Refined Sugar, Alcohol and Molasses** | **Materials and Supplies** | **Total** |
| Balance at beginning of year | **₱1,141** | **₱16,860** | **₱18,001** |
| Write-offs | **(1,141)** | **–** | **(1,141)** |
| Balance at end of year | **₱–** | **₱16,860** | **₱16,860** |

| | 2013 | | |
|---|---|---|---|
| | Raw and Refined Sugar, Alcohol and Molasses | Materials and Supplies | Total |
| Balance at beginning of year | ₱5,729 | ₱41,768 | ₱47,497 |
| Write-offs | (16,132) | (26,908) | (43,040) |
| Provisions | 11,544 | 2,000 | 13,544 |
| Balance at end of year | ₱1,141 | ₱16,860 | ₱18,001 |

Provisions for inventory losses and obsolescence in 2013 amounting to ₱12.1 million and ₱1.4 million are presented under "Cost of goods sold" and "General Administrative Expenses," respectively (see Notes 21 and 22).

Cost of inventories recognized as expense and presented as "Direct materials used" under "Cost of goods sold" amounted to ₱3,921.6 million and ₱1,604.6 million in 2014 and 2013, respectively (₱2,786.0 million in 2012) (see Note 21).

## 9. Other Current Assets

This account consists of:

| | **2014** | 2013 |
|---|---|---|
| Creditable withholding taxes, net | **₱260,137** | ₱208,037 |
| Input VAT | **191,390** | 212,318 |
| Restricted cash | **–** | 32,839 |
| Others | **16,258** | 15,114 |
| | **₱467,785** | ₱468,308 |

Input VAT, which includes deferred input VAT, mainly arises from construction services relating to the Ethanol Plant and other purchases of goods and services for operations.

Allowance for impairment loss on creditable withholding taxes amounted to ₱13.6 million as at September 30, 2014 and 2013.

Restricted cash represents savings from the reduction of the interest on long-term borrowings, deposited to the Group's escrow account as required under the provision of the loan agreement with Banco de Oro Unibank, Inc. (BDO) (see Note 14). The restricted cash has been applied as payments for its long-term borrowings in 2014.

Others consist of prepaid insurance and various deposits.

## 10. Investment in an Associate

Movements of the investment in an associate follow:

| | 2014 | 2013 (As restated - see Note 3) |
|---|---|---|
| Acquisition cost | **₱127,933** | ₱127,933 |
| Accumulated share in net income: | | |
| Balance at beginning of year: | | |
| As previously reported | **278,843** | 234,047 |
| Prior period adjustment | **2,750** | 2,070 |
| As restated | **281,593** | 236,117 |
| Share in net income | **83,214** | 68,315 |
| Dividends received | **(67,376)** | (22,839) |
| Balance at end of the year | **297,431** | 281,593 |
| Cumulative share in remeasurement loss on retirement asset: | | |
| Balance at beginning of year: | | |
| As previously reported | **–** | – |
| Prior period adjustment | **(5,091)** | (6,043) |
| As restated | **(5,091)** | (6,043) |
| Share in remeasurement gain (loss) on retirement asset | **(1,084)** | 952 |
| Balance at end of the year | **(6,175)** | (5,091) |
| Share in revaluation increment of land | **207,492** | 207,492 |
| | **₱626,681** | ₱611,927 |

The Parent Company has 45.09% ownership interest in HPCo, an entity incorporated in the Philippines, which is primarily engaged in manufacturing and trading of raw and refined sugar, molasses and other sugar by-products.

Summarized financial information of HPCo are as follows:

| | 2014 | 2013 (As restated) |
|---|---|---|
| Current assets | **₱480,626** | ₱566,941 |
| Noncurrent assets | **853,160** | 913,260 |
| Current liabilities | **296,192** | 448,090 |
| Noncurrent liabilities | **52,614** | 87,062 |
| Net assets | **984,980** | 945,049 |
| Revenue | **1,164,022** | 1,247,446 |
| Net income | **183,325** | 151,508 |

## 11. Property, Plant and Equipment

Details and movements of property, plant and equipment, valued at cost, are shown below:

| | 2014 | | | | | |
|---|---|---|---|---|---|---|
| | Buildings and Improvements | Machinery And Equipment | Transportation Equipment | Office Furniture, Fixtures and Equipment | Construction in Progress | Total |
| **Cost** | | | | | | |
| Balances at beginning of year | **₱2,774,529** | **₱11,988,963** | **₱32,750** | **₱71,208** | **₱169,957** | **₱15,037,407** |
| Additions | **6,759** | **151,646** | **–** | **1,262** | **243,595** | **403,262** |
| Reclassification | **4,292** | **175,702** | **6,635** | **33,014** | **(219,643)** | **–** |
| Balances at end of year | **2,785,580** | **12,316,311** | **39,385** | **105,484** | **193,909** | **15,440,669** |
| **Accumulated Depreciation and Amortization** | | | | | | |
| Balances at beginning of year | **1,077,697** | **5,976,940** | **27,568** | **62,701** | **–** | **7,144,906** |
| Depreciation and amortization | **112,963** | **519,861** | **11,182** | **34,267** | **–** | **678,273** |
| Balances at end of year | **1,190,660** | **6,496,801** | **38,750** | **96,968** | **–** | **7,823,179** |
| **Net Book Value** | **₱1,594,920** | **₱5,819,510** | **₱635** | **₱8,516** | **₱193,909** | **₱7,617,490** |

| | 2013 | | | | | |
|---|---|---|---|---|---|---|
| | Buildings and Improvements | Machinery And Equipment | Transportation Equipment | Office Furniture, Fixtures and Equipment | Construction in Progress | Total |
| **Cost** | | | | | | |
| Balances at beginning of year | ₱2,758,079 | ₱11,862,510 | ₱32,750 | ₱67,478 | ₱130,367 | ₱14,851,184 |
| Additions | 7,174 | 43,541 | – | 2,956 | 160,600 | 214,271 |
| Retirement/disposals | – | (27,969) | – | (79) | – | (28,048) |
| Reclassification | 9,276 | 110,881 | – | 853 | (121,010) | – |
| Balances at end of year | 2,774,529 | 11,988,963 | 32,750 | 71,208 | 169,957 | 15,037,407 |
| **Accumulated Depreciation and Amortization** | | | | | | |
| Balances at beginning of year | 966,097 | 5,426,984 | 22,459 | 57,857 | – | 6,473,397 |
| Depreciation and amortization | 111,600 | 555,473 | 5,109 | 4,906 | – | 677,087 |
| Retirement/disposals | – | (5,516) | – | (62) | – | (5,578) |
| Balances at end of year | 1,077,697 | 5,976,941 | 27,568 | 62,701 | – | 7,144,906 |
| **Net Book Value** | ₱1,696,832 | ₱6,012,022 | ₱5,182 | ₱8,507 | ₱169,957 | ₱7,892,501 |

Construction in progress pertains mainly to uncompleted regular plant improvements and rehabilitation of milling equipment, which are to be completed in the succeeding fiscal year. As at September 30, 2014, the Group has contractual commitment for the on-going construction projects amounting to ₱30.5 million.

The Group has no borrowing cost capitalized in 2014 and 2013. Unamortized capitalized borrowing cost as at September 30, 2014 and 2013 amounted to ₱432.3 million and ₱483.8 million with corresponding deferred tax liability of ₱110.2 million and ₱145.1 million, respectively (see Note 25). The Group amortizes the capitalized borrowing cost over the estimated useful life of the qualifying asset to which it relates.

The amount of depreciation and amortization is allocated as follows:

| | Note | 2014 | 2013 | 2012 |
|---|---|---|---|---|
| Cost of goods sold | 21 | **₱627,929** | ₱627,555 | ₱648,704 |
| General and administrative expenses | 22 | **52,906** | 52,094 | 41,095 |
| | | **₱680,835** | ₱679,649 | ₱689,799 |

Depreciation and amortization in 2014 and 2013 include amortization of software cost of ₱2.6 million (nil in 2012).

In June 2013, certain property and equipment with a carrying value of ₱22.3 million were damaged due to fire (see Note 22). An insurance claim amounting to ₱40.9 million was received and recognized as other income in 2014 (see Note 24).

As at September 30, 2014 and 2013, fully depreciated property, plant and equipment with an aggregate cost of ₱2,646.0 million and ₱2,307.6 million, are still being used in the operations.

As at September 30, 2013, certain property, plant and equipment were mortgaged and used as collateral to secure the loan obligations with the local banks (see Note 14).

Land at appraised values and its related cost are as follows:

| | Note | 2014 | 2013 |
|---|---|---|---|
| At appraised values: | | | |
| Balance at beginning of year | | **₱2,757,810** | ₱2,757,810 |
| Appraisal increase | | **1,002,594** | – |
| Reclassification | 12 | **19,201** | – |
| Balance at end of year | | **₱3,779,605** | ₱2,757,810 |
| At cost | | **₱383,990** | ₱383,990 |

On December 22, 2010, NAVI entered into a memorandum agreement with a lessee, whereby the lessee will use the parcels of land for the purpose of planting and production of sugarcane (see Note 12). Consequently, the land, previously an owner-occupied property, was reclassified and accounted for as investment property carried at fair value effective July 1, 2011. The revaluation increment relating to the land amounting to ₱72.7 million (net of the share of noncontrolling interest amounting to ₱39.7 million) is presented as part of the "Revaluation increment on land" in equity section until the said land is disposed.

Reclassification in 2014 pertains to land previously held for capital appreciation and classified as investment property, which became an owner-occupied property.

As at September 30, 2014 and 2013, the fair value of land amounting to ₱3,779.6 million and ₱2,757.8 million, respectively, are based on the appraised value of the property using a market data approach, as determined by a professionally qualified independent appraiser. The fair value measurement for property, plant and equipment has been categorized as level 2 (directly or indirectly observable inputs). The latest appraisal report was made in various dates in 2014. Appraisal increase amounted to ₱704.1 million, net of tax of ₱298.5 million in 2014.

## 12. Investment Properties

Movements in investment properties follow:

| | Note | 2014 | 2013 |
|---|---|---|---|
| Balance at beginning of year | | **₱191,838** | ₱191,838 |
| Fair value adjustment | 24 | **33,349** | – |
| Reclassification | 11 | **(19,201)** | – |
| Balance at end of year | | **₱205,986** | ₱191,838 |

This account pertains to land of NAVI and Parent Company held for rental and capital appreciation.

NAVI's agricultural land is being leased for a period of four years until September 30, 2015. Rent income from the said investment property amounted to ₱5.6 million and ₱5.3 million in 2014 and 2013, respectively (₱5.5 million in 2012). Direct operating expenses amounted to ₱0.6 and ₱0.5 million in 2014 and 2013, respectively (₱0.5 million in 2012), which mainly pertain to real property taxes.

The fair value of investment properties is based on the appraised value of the property using a market data approach, as determined by a professionally qualified independent appraiser. The fair value measurement for property, plant and equipment has been categorized as Level 2 (directly or indirectly observable inputs). The latest appraisal report was made on various dates in 2014.

## 13. Short-term Borrowings

This account consists of unsecured short-term loans obtained from various local banks for the working capital requirements of the Group. The short-term borrowings are payable within 30 days to 120 days in 2014 and 2013 and bear annual interest ranging from 3.0% to 3.5% in 2014 and 3.0% to 7.0% in 2013 (4.5% to 8.5% in 2012).

Total interest expense arising from short-term borrowings amounted to ₱28.1 million and ₱60.4 million in 2014 and 2013, respectively (₱122.6 million in 2012) (see Note 14).

## 14. Long-term Borrowings

Long-term borrowings consist of loans from:

| | **2014** | 2013 |
|---|---|---|
| BDO | **₱3,500,175** | ₱4,990,694 |
| Bank of the Philippine Islands (BPI) | **1,232,000** | 500,000 |
| Rizal Commercial Banking Corporation (RCBC) | **380,000** | – |
| Syndicated Loans | **50,000** | 1,344,828 |
| | **5,162,175** | 6,835,522 |
| Unamortized transaction costs | **(18,583)** | – |
| Current portion | **(42,241)** | (158,277) |
| Noncurrent portion | **₱5,101,351** | ₱6,677,245 |

<u>BDO Loan Facilities</u>

| | **2014** | 2013 |
|---|---|---|
| Loan I | **₱35,175** | ₱3,265,694 |
| Loan II | **20,000** | 925,000 |
| Loan III | **800,000** | 800,000 |
| Loan IV | **2,645,000** | – |
| | **₱3,500,175** | ₱4,990,694 |

On February 8, 2008, RHI signed the long-term loan facility (Loan I) with BDO for an aggregate amount of ₱6,189.0 million to finance the Group's Expansion Project, by purchasing second-hand mills and related equipment, and Share Buyback Program of RHI. The loan facility is shared by RHI and CADPI/CACI amounting to ₱1,570.0 million and ₱4,619.0 million, respectively. Loan I is payable in a seven-year amortization period with equal quarterly payment commencing on November 5, 2014 until May 5, 2018 as amended in 2012, and bears interest subject to quarterly re-pricing, as amended in 2010, 2011 and 2012. RHI and CADPI/CACI have an option to convert the loan into a fixed interest. As at the date of the report, RHI and CADPI/CACI did not exercise its option to convert the interest into a fixed rate.

The 2011 amendment provided a reduced interest of 6.5% with a requirement to the Group to deposit as restricted cash the amount of savings from the reduction of interest in an escrow account. The restricted cash was applied as additional payments to Loan I in 2014 (see Note 9).

Drawdowns in 2008 up to 2010 by RHI, CADPI and CACI from Loan I amounted to ₱718.3 million, ₱1,875.4 million and ₱1,176.3 million, respectively.

On June 17, 2011, RBC availed of a 10-year long-term loan (Loan II) with BDO amounting to ₱925.0 million to finance its working capital requirements. Loan II is payable quarterly until June 2021 with grace period of 36 months as amended on May 9, 2013. The loan bears floating interest, which is being re-priced quarterly. Interest ranged from 5.00% to 5.25% in 2013 and 5.0% in 2014.

RBC paid ₱905.0 million from January 2014 to March 2014 and ₱19.9 million in November 2014.

On February 1, 2013, RHI, CADPI and CACI entered into a new loan agreement (Loan III) with BDO amounting to ₱800.0 million. Loan III is secured by the shares of HPCo owned by RHI. The loan is payable on February 15, 2016 and bears interest at prevailing market rate being re-priced quarterly.

On February 8, 2014, RHI together with CACI and CADPI entered into a new facility agreement (Loan IV) amounting to ₱3,265.0 million with BDO to refinance substantially the balance of Loan I amounting to ₱2,645.0 million. Loan IV is payable in equal quarterly amortizations for seven years beginning 2016 and bears fixed interest of 4.50% for three years and thereafter being subject to repricing.

<u>BPI Loan Facilities</u>

| | **2014** | 2013 |
|---|---|---|
| Loan I | **₱5,000** | ₱500,000 |
| Loan II | **1,227,000** | – |
| | **₱1,232,000** | ₱500,000 |

On June 14, 2012, CADPI entered a separate loan agreement with BPI (Loan I) amounting to ₱500.0 million to pay-off CADPI's then existing long-term loan with BPI - Asset Management and Trust Group. The loan bears interest equivalent to the higher of: (a) the sum of the base rate plus 1.50%, or (b) the BSP reverse repurchase overnight rate plus 1.50%. Gross receipts tax is for the account of CADPI. The loan is payable in 15 equal quarterly installments on each scheduled repayment date, with the first installment commencing not later than November 5, 2014 until May 5, 2018.

On May 27, 2014, CADPI and CACI entered into a new loan agreement with BPI (Loan II) with an aggregate amount of ₱1,257.0 million, for general funding requirement and partial refinancing of the balance of the Syndicated Loan and BPI Loan I amounting to ₱732.0 million and ₱495.0 million, respectively. Loan II is payable in seven years with three years grace period. The principal repayment is quarterly amounting to ₱49.0 million until June 2021 and a lump sum payment of the remaining balance on September 10, 2021. Loan II bears a fixed interest of 4.50%, which is subject to change as may be agreed by the parties.

RCBC Loan Facility

On May 27, 2014, CADPI and CACI entered into a new loan agreement with RCBC with an aggregate amount of ₱405.0 for general funding requirement and partial refinancing of the balance of the Syndicated Loan amounting to ₱380.0 million. The loan is payable in seven years with three years grace period. The principal repayment is quarterly amounting ₱13.6 million until June 2021 and a lump sum payment of the remaining balance on September 10, 2021. The loan bears a fixed interest of 4.50%, which is subject to change as may be agreed by the parties.

Syndicated Loans

| | **2014** | 2013 |
|---|---|---|
| BPI | **₱25,000** | ₱896,552 |
| RCBC | **25,000** | 448,276 |
| | **₱50,000** | ₱1,344,828 |

On February 14, 2008, CADPI and CACI entered into a Syndicated Loan Agreement with BPI (as the lead bank) and RCBC for a total credit facility of ₱1,500.0 million as amended to clarify certain provisions on March 12, 2008. The balance of the loans is payable in 15 equal consecutive quarterly installments beginning November 5, 2014 until May 5, 2018 as amended on February 6, 2012.

The loans bear floating interest with a one-time option to convert into a fixed interest equivalent to: (a) benchmark rate plus 1.36% for BPI loans, and; (b) benchmark rate plus 1.50% for RCBC loans, as amended also on February 6, 2012.

Drawdowns in 2008 up to 2010 by CADPI and CACI amounted to ₱961.3 million and ₱538.7 million, respectively.

Total principal loan payments of the Group amounted to ₱1,673.3 million and ₱123.2 million in 2014 and 2013, respectively.

*Interest Expense*

Interest ranges from 3.0% to 6.5% in 2014 and 4.25% to 6.5% in 2013 (4.5% to 5.0% in 2012). Interest expense incurred arises from the following borrowings:

| | Note | **2014** | 2013 | 2012 |
|---|---|---|---|---|
| Long-term | | **₱286,457** | ₱330,347 | ₱351,617 |
| Short-term | 13 | **28,086** | 60,315 | 122,628 |
| | | **₱314,543** | ₱390,662 | ₱474,245 |

*Suretyship Agreement, Mortgage Trust Indenture (MTI) and Debt Covenants*
In relation with the BDO Loan I, RHI, CADPI and CACI, entered into a Continuing Suretyship Agreement with BDO. Under this Agreement, BDO has the right to set-off the secured obligations in solidarity against all the borrowers' properties.

On February 14, 2008, RHI, CADPI, CACI and RBC entered into a separate Suretyship Agreement arising out of the Syndicated Loan Agreement, which warrants the due and faithful performance by the borrowers of all obligations due to the creditor banks, BPI and RCBC. The suretyship remains in full force and effect until full payment of the indebtedness under the Syndicated Loan Agreement. In addition, all liens of the creditor banks have rights of set-off in solidarity against the borrower's properties.

Further in 2009, RHI, CADPI and CACI executed a MTI to secure the loans obtained from BDO, BPI and RCBC. The MTI covers properties in: (a) Nasugbu, Batangas, which consist mainly of RHI's land and CADPI's properties with an aggregate carrying value of ₱2.2 billion and ₱3.5 billion as at September 30, 2014; and (b) CACI's properties in La Carlota, Negros Occidental with an aggregate carrying value of ₱3.4 billion as at September 30, 2014 and 2013.

In 2011, RBC executed an MTI to secure the loans obtained from BDO Loan II. The MTI covers RBC's properties in La Carlota, Negros Occidental with an aggregate carrying value of ₱1.5 billion as at September 30, 2014 and 2013.

*Loan Covenants*
The foregoing loan agreements are subject to certain covenants, such as but not limited to:

- maintenance of debt service coverage ratio (DSCR) of at least 1.25 times and debt-to-equity ratio of not more than 70:30;

- prohibition on purchase of additional equipment, except in pursuance of its sugar expansion and ethanol project, unless the required financial ratios are maintained;

- prohibition on any material change in ownership or control of its business or capital stock or in the composition of its top level management, unless the required financial ratios are maintained; and

- prohibition on declaration or payment of dividends or any other capital or other asset distribution to its stockholders, unless the required financial ratios are maintained.

As at September 30, 2014 and 2013, the Group is in compliance with the foregoing loan covenants, particularly on the required financial ratios.

In November 2013, the Group obtained from creditor banks a letter consenting on the disposal of the 31% of the 66% equity ownership in RHI by RCI in favor of First Pacific (see Note 1).

The maturities of the long-term borrowings are as follows:

| | 2014 | 2013 |
|---|---|---|
| Less than one year | **₱42,241** | ₱158,277 |
| Between one to two years | **824,767** | 1,278,994 |
| Between two to five years | **1,551,639** | 5,034,858 |
| Between five to eight years | **2,743,528** | 363,393 |
| | **₱5,162,175** | ₱6,835,522 |

## 15. **Trade and Other Payables**

This account consists of:

| | Note | **2014** | 2013 |
|---|---|---|---|
| Trade | | **₱421,333** | ₱241,839 |
| Payable to government agencies for taxes and statutory contributions | | **48,642** | 128,422 |
| Accruals for: | | | |
| Interest | | **25,597** | 46,050 |
| Payroll and other employee benefits | | **15,884** | 39,408 |
| Others | | **16,732** | 22,968 |
| Due to: | | | |
| Related parties | 18 | **20,437** | 1,997 |
| Planters | | **8,426** | 11,158 |
| Contractors | | **267** | 21,385 |
| Provision for probable losses | 27 | **16,227** | 48,438 |
| Customers' deposits | | **10,669** | 30,394 |
| Others | | **42,379** | 74,698 |
| | | **₱626,593** | ₱666,757 |

Trade payables are noninterest-bearing and are generally settled within 30 days.

Payable to government agencies and other payables are noninterest-bearing and are normally settled throughout the year.

## 16. **Retirement Benefits**

The Parent Company and its subsidiaries, namely: CACI and CADPI, have individual and separate non-contributory defined benefit plan covering all qualified employees. A defined benefit plan is a retirement plan that defines an amount of retirement benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. The plans are generally funded through payments to trustee-administered funds as determined by periodic actuarial calculations.

Retirement Benefits

Net retirement benefits expense recognized in the consolidated statements of income included in salaries and wages and employee benefits under "Cost of goods sold" and "General and administrative expenses" account are as follows:

| | **2014** | 2013 (As restated - see Note 3) | 2012 (As restated - see Note 3) |
|---|---|---|---|
| Current service cost | **₱34,201** | ₱29,124 | ₱32,337 |
| Net interest cost on net defined liability | **10,791** | 2,616 | 9,739 |
| Adjustment due to curtailment | **–** | 6,219 | 88,436 |
| | **₱44,992** | ₱37,959 | ₱130,512 |

The cumulative remeasurement losses recognized in other comprehensive income (loss) as at September 30 follows:

| | **2014** | | |
|---|---|---|---|
| | **Cumulative Remeasurement Loss** | **Deferred Tax (see Note 25)** | **Net** |
| Balance at beginning of year | **₱419,340** | **₱125,802** | **₱293,538** |
| Remeasurement gain | **(223,917)** | **(67,175)** | **(156,742)** |
| Balance at end of year | **₱195,423** | **₱58,627** | **₱136,796** |

| | 2013 (As restated - see Note 3) | | |
|---|---|---|---|
| | Cumulative Remeasurement Loss | Deferred Tax (see Note 25) | Net |
| Balance at beginning of year | ₱155,701 | ₱46,710 | ₱108,991 |
| Remeasurement loss | 263,639 | 79,092 | 184,547 |
| Balance at end of year | ₱419,340 | ₱125,802 | ₱293,538 |

Retirement Liabilities

Components of net retirement liabilities of CACI and CADPI as at September 30, 2014 and of CACI, CADPI and the Parent Company as at September 30, 2013 recognized in the consolidated statements of financial position are as follows:

| | **2014** | 2013 (As restated - see Note 3) |
|---|---|---|
| Present value of defined benefit obligation | **(₱514,087)** | (₱510,523) |
| Fair value of plan assets | **345,197** | 284,578 |
| | **(₱168,890)** | (₱225,945) |

The changes in retirement liabilities recognized in the consolidated statements of financial position are as follows:

| | **2014** | 2013 (As restated- see Note 3) |
|---|---|---|
| Balance at beginning of year | **(₱225,945)** | (₱46,071) |
| Retirement benefits expense | **(42,052)** | (37,959) |
| Remeasurement gain (loss) recognized in other comprehensive income | **23,026** | (79,553) |
| Return on plan assets recognized in other comprehensive income | **59,761** | (184,086) |
| Contributions paid | **13,031** | 121,724 |
| Reclassification of retirement liability of RHI to retirement assets | **3,289** | – |
| Balance at end of year | **(₱168,890)** | (₱225,945) |

Retirement Assets

This pertains to plan assets of the Parent Company amounting to ₱134.9 million as at September 30, 2014. In 2014, the Parent Company transferred all its employees to CADPI. Consequently, the retirement liability and the related plan assets were also transferred to CADPI amounting to ₱93.3 million.

The changes in retirement assets recognized in the consolidated statement of financial position as at September 30, 2014 are as follows:

| | |
|---|---|
| Balance at beginning of year | ₱– |
| Remeasurement gain recognized in other comprehensive income | 141,130 |
| Reclassification of retirement liability of RHI to retirement assets | (3,289) |
| Retirement benefits | (2,940) |
| Balance at end of year | ₱134,901 |

*Changes in the Present Value of the Defined Benefit Obligation*

| | 2014 | 2013 (As restated - see Note 3) |
|---|---|---|
| Balance at beginning of year | **₱510,523** | ₱491,894 |
| Current service cost | **34,201** | 29,124 |
| Net interest cost | **23,392** | 28,566 |
| Benefits paid | **(5,488)** | (124,834) |
| Remeasurement gain (loss) recognized in other comprehensive income | **(8,389)** | 79,553 |
| Settlements | **(40,152)** | – |
| Adjustment due to curtailment | **–** | 6,220 |
| Balance at end of year | **₱514,087** | ₱510,523 |

*Changes in the Fair Value of Retirement Plan Assets*

| | 2014 | 2013 (As restated - see Note 3) |
|---|---|---|
| Balance at beginning of year | **₱284,578** | ₱445,823 |
| Interest Income on plan asset | **12,601** | 25,951 |
| Contributions paid | **13,031** | 121,724 |
| Return on plan assets | **215,528** | (184,086) |
| Benefits paid | **(5,488)** | (124,834) |
| Settlements | **(40,152)** | – |
| Balance at end of year | **₱480,098** | ₱284,578 |

The expected return on plan assets were determined based on a reputable fund trustee's yield rate for risk portfolio similar to that of the fund with consideration to the funds' past performance.

The categories of the plan assets are as follows:

| | **2014** | 2013 |
|---|---|---|
| Cash and cash equivalents | **15.50%** | 8.84% |
| Receivables | **26.07** | 10.85 |
| Prepayments | **0.02** | – |
| AFS financial assets | **47.04** | 64.30 |
| Investments in properties | **11.38** | 16.01 |
| Trust payable | **(0.01)** | – |
| | **100.00%** | 100.00% |

The principal assumptions used in determining the cost of retirement benefits of the Group are shown below:

| | Discount Rates | | Expected Rates of Return on Plan Assets | | Salary Increase Rate | |
|---|---|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 |
| CADPI | **4.75%** | 4.80% | **4.00%** | 4.00% | **4.00%** | 5.00% |
| CACI | **4.75%** | 4.50% | **5.00%** | 5.00% | **4.00%** | 5.00% |
| RHI | **4.75%** | 3.80% | **6.00%** | 6.00% | **4.00%** | 5.00% |

CADPI and CACI are expected to contribute a total of ₱42.1 million to their respective retirement funds for the year ending September 30, 2015.

The sensitivity analysis based on reasonably possible changes of the assumptions as at September 30, 2014 is as follows:

| | Change in Assumption | Effect on Retirement Liabilities |
|---|---|---|
| Discount rate | +1% | (₱14,888) |
| | -1% | 17,218 |

| | Change in Assumption | Effect on Retirement Liabilities |
|---|---|---|
| Salary Rate | +1% | ₱17,176 |
| | -1% | (15,124) |

Each sensitivity analysis on the significant actuarial assumptions was prepared by remeasuring the retirement liability at the end of each reporting date after adjusting one of the current assumptions according to the applicable sensitivity increment or decrement (based on changes in the relevant assumption that were reasonably possible at the valuation date) while all other assumptions remained unchanged. The corresponding change in the retirement liability was expressed as a percentage change from the base retirement liability.

## 17. Equity

a. Capital stock and treasury stock

Details of capital stock and treasury stock follow:

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | **Number of Shares** | **Amount** *(in Thousands)* | Number of Shares | Amount *(in Thousands)* |
| Authorized common shares "Capital A" at ₱1 par value | **1,500,000,000** | **₱1,500,000** | 1,500,000,000 | ₱1,500,000 |
| Issued common shares "Class A" | **1,168,976,425** | **₱1,168,976** | 1,168,976,425 | ₱1,168,976 |
| Treasury stock | **(259,424,189)** | **(768,860)** | (259,424,189) | (768,860) |
| Issued and outstanding | **909,552,236** | **₱400,116** | 909,552,236 | ₱400,116 |

b. Track record of registration

On March 16, 1994, the Parent Company registered with the Philippine SEC its 1,000.0 million shares, consisting of 600.0 million Class "A" shares and 400.0 million Class "B" shares at a par value of ₱1.00 a share equivalent to ₱1,000,000,000, and representing the entire capital stock of the Parent Company. Moreover, the Philippine SEC licensed the sale or offer for sale of the Parent Company's 477,750,000 shares (inclusive of its present subscribed capital stock of 382,200,000 shares), out of which 95,550,000 shares were sold at ₱3.00 a share.

On September 4, 1995, the Philippine SEC licensed the sale or offer for sale of 174,400,000 shares in an initial public offering at an offer price between ₱5.00 to ₱8.00 a share. The said shares consist of 100 million shares from the Parent Company's registered but unlicensed and unissued capital stock for primary offering and 74,400,000 shares owned by selling shareholders for secondary offering.

On January 28, 1997, the Parent Company declared stock dividends at the rate of 30% payable to stockholders of record as at February 28, 1997.

On November 24, 1999 and December 15, 1999, the Parent Company declared stock dividends at the rate of 30%, consisting of 225,322,500 common shares at ₱1.00 a share, payable to stockholders of record as at February 15, 2000.

On January 30, 2003, the Philippine SEC approved the Parent Company's increase in authorized capital stock from ₱1,000,000,000 to ₱1,500,000,000, divided into 1,500,000,000 common shares. Of the total increase in authorized capital stock, 192,779,459 common shares at par value of ₱1 a share or total of 192,779,459 common shares, were fully paid through the declaration of stock dividends at the rate of 20% to stockholders of record as at February 28, 2003.

On April 3, 2003, the PSE approved the listing of additional 192,779,459 common shares, at a par value of ₱281.00 a share, representing the abovementioned 20% stock dividend declaration. Moreover, the Parent Company's listed shares were reduced by 188 common shares representing fractional shares arising from the 30% stock dividend declared in 1997 and 30% stock dividends declared in 2000, which were paid for in cash.

c. Excess of consideration received over carrying amount of net assets of a subsidiary transferred to the Parent Company and effect of changes in equity ownership in subsidiaries

The Group has undertaken a corporate restructuring. On December 16, 2008, RHI acquired the sugar-related operating subsidiaries and an associate from CADPGC for a total consideration of ₱3,838.0 million, which represents the cost of CADPGC's investments in subsidiaries and an associate amounting to ₱4,101.0 million, reduced by the net liabilities transferred by CADPGC amounting to ₱263.0 million. As a result, RHI increased its effective equity ownership in the sugar-related operating subsidiaries and recognized the effect of the change in equity ownership in subsidiaries and an associate in view of the reduction of noncontrolling interests in subsidiaries of ₱44.6 million and presented as a separate component of the total consolidated equity.

On January 23, 2009, following the acquisition of the sugar-related operating subsidiaries and an associate from CADPGC, RHI sold its investment in CADPGC to Roxas & Company, Inc. for a total consideration of ₱3,927.3 million. The excess of consideration received from Roxas & Company, Inc. over the carrying amounts of net assets of CADPGC amounted to ₱577.1 million. This is presented as a separate component of equity.

d. Retained earnings

*Retained earnings not available for dividend declaration*

| | Note | **2014** | 2013 |
|---|---|---|---|
| Treasury stock | | **₱768,860** | ₱768,860 |
| Retirement assets, net of deferred tax | 16 | **94,431** | – |
| | | **₱863,291** | ₱768,860 |

Further, retained earnings include accumulated earnings of the subsidiaries and an associate amounting to ₱297.4 million and ₱281.6 million as at September 30, 2014 and 2013, respectively, which are not yet available for dividend distribution to the Parent Company's stockholders, unless received as cash dividends from the subsidiaries and an associate.

*Dividend declaration*

Cash dividends declared and paid by the Parent Company are as follows:

| Date Approved | Amount per Share | Total Amount | Stockholders of Record Date | Date Paid |
|---|---|---|---|---|
| August 7, 2014 | ₱0.12 | ₱109,146 | August 22, 2014 | September 15, 2014 |
| November 15, 2013 | 0.06 | 54,573 | November 20, 2013 | December 3, 2013 |
| August 7, 2013 | 0.06 | 54,573 | August 30, 2013 | September 16, 2013 |
| December 12, 2012 | 0.04 | 36,381 | December 28, 2012 | January 15, 2013 |
| September 17,2012 | 0.06 | 54,573 | October 1, 2012 | October 12, 2012 |

e. Share prices

The principal market for the Parent Company's shares of stock is the PSE. The high and low trading prices of the Parent Company's shares of stock for each quarter within the three fiscal years are as follows:

| Quarter | High | Low |
|---|---|---|
| October 1, 2013 through September 30, 2014 | | |
| First | ₱7.50 | ₱2.28 |
| Second | 6.90 | 5.32 |
| Third | 8.10 | 5.57 |
| Fourth | 7.34 | 6.40 |
| October 1, 2012 through September 30, 2013 | | |
| First | 3.15 | 2.02 |
| Second | 3.90 | 2.30 |
| Third | 3.27 | 2.50 |
| Fourth | 3.06 | 2.30 |
| October 1, 2011 through September 30, 2012 | | |
| First | 2.24 | 2.34 |
| Second | 3.85 | 3.40 |
| Third | 2.50 | 2.50 |
| Fourth | 2.60 | 2.34 |

## 18. Related Party Transactions

In the normal course of business, the Group has transactions with related parties as follows:

| Related Party | Relationship | Nature of Transaction | Note | Year | Transactions during the Year | Net Amount Due from Related Parties (see Note 7) | Net Amount Due to Related Parties (see Note 15) |
|---|---|---|---|---|---|---|---|
| RCI | Shareholder | Noninterest-bearing advances payable on demand | | **2014** | **(₱50,667)** | **₱–** | **₱–** |
| | | | | 2013 | (1,163) | 50,667 | – |
| CADP Retirement Fund, Inc. (CADPRFI) | Retirement Fund of CADPI | Lease of office space | 27 | **2014** | – | – | – |
| | | | | 2013 | 4,013 | – | 1,997 |
| | | Noninterest-bearing advances payable on demand | | **2014** | **32,601** | **37,359** | – |
| | | | | 2013 | (56,272) | 4,758 | – |
| RHI Retirement Fund, Inc. (RHIRFI) | Retirement Fund of RHI | Noninterest-bearing advances payable on demand | | **2014** | **33,943** | **141** | **20,432** |
| | | | | 2013 | (4,421) | 28,546 | – |
| CACI Retirement Fund, Inc. (CACIRFI) | Retirement Fund of CACI | Noninterest-bearing advances payable on demand | | **2014** | 33,945 | **33,947** | – |
| | | | | 2013 | – | – | – |
| | | | | **2014** | | **₱71,447** | **₱20,437** |
| | | | | 2013 | | 83,971 | 1,997 |

a. As at September 30, 2013, due from RCI amounted to ₱50.7 million, which mainly pertains to advances to RCI for expenses relating to the restructuring activities undertaken by the Group in 2009. These advances are noninterest-bearing and payable on demand and included in "Trade and other receivables" account.

b. The Group made advances to RHIRFI, CADPIRFI and CACIRFI for a portion of the retirement payments made to the Group's qualified retired employees under defined retirement plan. As at September 30, 2014 and 2013, advances to RHIRFI, CADPRFI and CACIRFI as at September 30, 2013 are included in "Trade and other receivables" account.

c. Due to related parties, which are presented as part of "Trade and other payables" account, represents noninterest-bearing payable arising from advances and rent of office space from CADPRFI.

d. RCBC, a creditor of CADPI and CACI, owns 34.5 million shares or 3.79% interest in RHI as at September 30, 2014 and 2013.

Outstanding balances of transactions with related parties at year-end are unsecured and settlements are made in cash. The Company did not recognize any provision for impairment loss in 2014 and 2013. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Key management personnel compensation:

| | Note | **2014** | 2013 | 2012 |
|---|---|---|---|---|
| Salaries and wages and other short-term benefits | | **₱107,717** | ₱52,044 | ₱46,289 |
| Employee stock option | 19 | **12,939** | 1,529 | – |
| | | **₱120,656** | ₱53,573 | ₱46,289 |

19. **Employee Stock Option Plans (ESOP)**

The BOD of the Company approved the establishment of its first and second ESOP on May 8, 2013 and January 16, 2014, respectively. The ESOPs cover all employees of the Company and its subsidiaries, namely: CACI, CADPI and RBC, who have rendered at least six months of service at the time of grant, subject for approval by the Senior Vice President, Human Resource, and the designated administrator. Employees are given the option to purchase the shares allocable to them over an exercise period of five years from the effectivity date of ESOP. The share options vest each year over the five-year term of ESOP. The offer price of the shares is based on the average quoted price during the 30-trading days prior to exercise date less a 15% discount. About 35.0 million and 30.0 million common shares of the Company's unissued shares have been initially reserved under the first and second ESOP, respectively.

Movements of the number of share options for the first ESOP are as follows:

| | **2014** | 2013 |
|---|---|---|
| Balance at beginning of year | **24,621,494** | – |
| Granted | **2,646,729** | 24,621,494 |
| Forfeited or expired | **(1,761,214)** | – |
| Balance at end of year | **25,507,009** | 24,621,494 |
| Exercisable at end of year | **5,101,390** | – |

The Group granted 28.0 million shares of common stock under the second ESOP. As at September 30, 2014, stock option granted remained outstanding and has not vested.

The fair value of the first and second ESOP was estimated at the date of grant using Black Sholes-Merton model with the following inputs as follows:

**First ESOP**

| | Options Vesting After | | | | |
|---|---|---|---|---|---|
| | Year One | Year Two | Year Three | Year Four | Year Five |
| Spot price | ₱2.80 | ₱2.80 | ₱2.80 | ₱2.80 | ₱2.80 |
| Strike price | ₱2.49 | ₱2.49 | ₱2.49 | ₱2.49 | ₱2.49 |
| Expected volatility | 38.83% | 39.10% | 36.59% | 39.61% | 42.46% |
| Risk-free rate | 2.71% | 2.98% | 3.29% | 3.28% | 3.90% |
| Dividend rate as a percentage of spot price | 1.97% | 1.97% | 1.97% | 1.97% | 1.97% |

**Second ESOP**

| | Options Vesting After | | | | |
|---|---|---|---|---|---|
| | Year One | Year Two | Year Three | Year Four | Year Five |
| Spot price | ₱6.90 | ₱6.90 | ₱6.90 | ₱6.90 | ₱6.90 |
| Strike price | ₱5.32 | ₱5.32 | ₱5.32 | ₱5.32 | ₱5.32 |
| Expected volatility | 33.46% | 39.77% | 39.71% | 37.65% | 39.95% |
| Risk-free rate | 2.86% | 2.82% | 3.15% | 3.90% | 3.38% |
| Dividend rate as a percentage of spot price | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 0.00 % |

The weighted average fair value of the share options granted in 2013 (First ESOP) and 2014 (Second ESOP) amounted to ₱0.9 and ₱3.0, respectively. The volatility rate is determined as the historical volatility of the returns on the stock over a period similar to the vesting period of the option. The weighted average remaining contractual life of the outstanding stock options as at September 30, 2014 is 1.71 years.

The employee stock option expense recognized for employee services received amounted to ₱18.0 million and ₱2.0 million in 2014 and 2013, respectively, presented as part of "Salaries, wages and other employee benefits" account.

## 20. Revenue

The components of revenue are as follows:

| | **2014** | 2013 | 2012 |
|---|---|---|---|
| Sale of: | | | |
| Refined sugar | **₱3,618,592** | ₱3,728,423 | ₱3,648,085 |
| Raw sugar | **2,336,308** | 1,577,317 | 3,008,261 |
| Alcohol | **1,918,573** | 375,104 | 672,166 |
| Molasses | **376,286** | 363,763 | 196,267 |
| Tolling fees | **66,959** | 19,246 | 125,927 |
| Others | **–** | 875 | 23,787 |
| | **₱8,316,718** | ₱6,064,728 | ₱7,674,493 |

21. **Cost of Goods Sold**

| | Note | 2014 | 2013 | 2012 |
|---|---|---|---|---|
| Direct materials used | 8 | **₱3,921,591** | ₱1,604,554 | ₱2,786,006 |
| Planters' subsidy and productivity assistance | | **871,755** | 846,307 | 709,461 |
| Depreciation and amortization | 11 | **627,929** | 627,555 | 648,704 |
| Salaries, wages and other employee benefits | 23 | **286,434** | 301,663 | 399,912 |
| Fuel and oil | | **284,276** | 290,320 | 250,690 |
| Repairs and maintenance | | **216,301** | 156,435 | 244,355 |
| Materials and consumables | | **207,584** | 233,984 | 276,778 |
| Taxes and licenses | | **176,173** | 77,827 | 150,942 |
| Communication, light and water | | **98,461** | 77,875 | 72,364 |
| Rent | | **90,787** | 60,713 | 51,224 |
| Outside services | | **47,660** | 120,833 | 89,016 |
| Insurance | | **40,728** | 25,780 | 31,732 |
| Hauling | | **212** | 1,806 | 179,209 |
| Provision for inventory losses and obsolescence | 8 | **–** | 12,114 | 59,727 |
| Others | | **12,800** | 12,388 | 6,399 |
| | | **₱6,882,691** | ₱4,450,154 | ₱5,956,519 |

22. **Operating Expenses**

*General and Administrative Expenses*

The components of general and administrative expenses are as follows:

| | Note | 2014 | 2013 (As restated - see Note 3) | 2012 (As restated - see Note 3) |
|---|---|---|---|---|
| Salaries, wages and other employee benefits | 23 | **₱240,643** | ₱193,763 | ₱249,737 |
| Outside services | | **159,650** | 109,261 | 78,465 |
| Depreciation and amortization | 11 | **52,906** | 52,094 | 41,095 |
| Taxes and licenses | | **54,461** | 95,529 | 63,423 |
| Reversal for allowance of impairment losses on receivables | | **(40,018)** | – | – |
| Insurance | | **33,743** | 27,774 | 29,505 |
| Materials and consumables | | **26,744** | 25,356 | 21,367 |
| Rent | | **19,930** | 22,894 | 22,919 |
| Loss on property and equipment due to fire | 11 | **–** | 22,305 | – |
| Corporate social responsibility | | **12,832** | 11,043 | 2,354 |
| Travel and transportation | | **11,753** | 6,517 | 19,367 |
| Communication, light and water | | **10,634** | 10,373 | 9,817 |
| Repairs and maintenance | | **10,395** | 8,079 | 11,357 |

(Forward)

| | Note | 2014 | 2013 (As restated - see Note 3) | 2012 (As restated - see Note 3) |
|---|---|---|---|---|
| Representation and entertainment | | **₱2,549** | ₱1,953 | ₱1,390 |
| Provision for impairment losses on receivables | 7 | **116** | 6,236 | 100,319 |
| Provision for inventory losses and obsolescence | 8 | – | 1,430 | – |
| Provision for losses | 27 | – | – | 85,003 |
| Impairment losses on creditable withholding taxes | 9 | – | – | 1,187 |
| Others | | **135,564** | 28,939 | 47,717 |
| | | **₱731,902** | ₱623,546 | ₱785,022 |

Depreciation and amortization include amortization of software of ₱2.6 million in 2014 and 2013 (nil in 2012).

Others mainly pertain to professional fees, training and development, transfer cost and bank charges

*Selling Expenses*
Selling expenses mainly pertains to sugar liens and dues and monitoring fees totaling ₱24.0 million and ₱40.4 million in 2014 and 2013, respectively (₱75.0 million in 2012) representing mandatory fees paid to various regulatory agencies prior to sale of sugar.

## 23. Personnel Costs

Personnel costs include:

| | Note | 2014 | 2013 (As restated - see Note 3) | 2012 (As restated - see Note 3) |
|---|---|---|---|---|
| Salaries and wages | | **₱415,421** | ₱412,096 | ₱404,550 |
| Retirement benefits | 16 | **44,992** | 37,959 | 130,511 |
| Allowances and other employee benefits | | **63,297** | 43,380 | 114,588 |
| Employee stock option | 19 | **3,367** | 1,991 | – |
| | | **₱527,077** | ₱495,426 | ₱649,649 |

The amount of personnel costs are allocated as follows:

| | Note | 2014 | 2013 (As restated - see Note 3) | 2012 (As restated - see Note 3) |
|---|---|---|---|---|
| Cost of goods sold | 21 | **₱286,434** | ₱301,663 | ₱399,912 |
| General and administrative expenses | 22 | **240,643** | ₱193,763 | ₱249,737 |
| | | **₱527,077** | ₱495,426 | ₱649,649 |

## 24. Other Income (Charges)

This account consists of:

| | Note | 2014 | 2013 | 2012 |
|---|---|---|---|---|
| Reversal of long-outstanding payables | | **₱80,681** | ₱– | ₱– |
| Recovery from insurance claims | 11 | **40,903** | – | 20,676 |
| Storage, handling and insurance fees | | **39,804** | 28,280 | 11,335 |
| Unrealized gain on fair value adjustment of investment properties | 12 | **33,349** | – | 5,351 |
| Sales of scrap | | **21,715** | 1,998 | 10,393 |
| Rental income | | **7,695** | 6,625 | 5,756 |
| Net unrealized foreign exchange gains (losses) | | **2,284** | (606) | (7,767) |
| Interest income | 6 | **1,123** | 2,386 | 6,269 |
| Income from performance bank guarantee | | **–** | 62,834 | – |
| Gain on disposal of property and equipment | | **–** | – | 530 |
| Others | | **1,962** | 6,163 | 66,362 |
| | | **₱229,516** | ₱107,680 | ₱118,905 |

In September 2013, the Parent Company received the proceeds from performance bank guarantee issued by a local bank in behalf of the plant contractor amounting to USD$2.1 million (₱90.4 million). Of the total amount, ₱27.6 million was used to settle receivable from the plant contractor, while the remaining ₱62.8 million was recognized as other income.

Recovery from insurance claims pertains to the amount collected from the insurer, which represents recovery from loss of irreparable equipment. Others pertains mainly income from Absorbed Companies and replenishment fees in 2014 and 2012, respectively.

## 25. Income Taxes

a. The components of the recognized net deferred tax assets and liabilities represent the tax effects of the following temporary differences:

| | | 2014 | | 2013 (As restated - see Note 3) | |
|---|---|---|---|---|---|
| | Note | **Net Deferred Tax Assets[1]** | **Net Deferred Tax Liabilities[2]** | Net Deferred Tax Assets | Net Deferred Tax Liabilities |
| Deferred tax assets on: | | | | | |
| Retirement liabilities | 16 | **₱50,333** | **₱334** | ₱66,797 | ₱987 |
| Unamortized past service cost | | **43,127** | **17,704** | 70,244 | 397 |
| Excess MCIT | | **30,243** | **–** | 9,521 | – |
| Allowance for: | | | | | |
| Impairment losses of receivables | 7 | **14,769** | **7,235** | 34,009 | – |
| Inventory losses and obsolescence | 8 | **196** | **3,736** | 4,275 | – |
| Losses on CWT | | **–** | **3,663** | 3,663 | – |

(Forward)

| | Note | 2014 Net Deferred Tax Assets[1] | 2014 Net Deferred Tax Liabilities[2] | 2013 (As restated - see Note 3) Net Deferred Tax Assets | 2013 (As restated - see Note 3) Net Deferred Tax Liabilities |
|---|---|---|---|---|---|
| NOLCO | | **₱11,223** | **₱–** | ₱– | ₱– |
| Various accruals | | **7,956** | **11,029** | 23,419 | – |
| Employee stock option | | **4,501** | **1,274** | 155 | 427 |
| Unrealized gross profit on inventory | | **–** | **–** | 4,390 | 50 |
| Preoperating expenses | | **–** | **–** | – | 27,711 |
| | | **162,348** | **44,975** | 216,473 | 29,572 |
| Deferred tax liabilities on: | | | | | |
| Unamortized capitalized interest | 11 | **(86,982)** | **(23,180)** | (117,386) | (27,760) |
| Unamortized transaction cost | | **(3,188)** | **(2,386)** | – | – |
| Revaluation increment on land | | **–** | **(1,009,157)** | (4,995) | (743,289) |
| Net retirement plan assets | 16 | **–** | **(40,470)** | – | – |
| Share of noncontrolling interest on revaluation increment on land | | **–** | **(17,003)** | – | (17,003) |
| Unrealized gain on fair value adjustment on investment property | 12 | **–** | **(10,005)** | – | (1,605) |
| | | **(90,170)** | **(1,102,201)** | (122,381) | (789,657) |
| Net deferred tax assets (liabilities) | | **₱72,178** | **(₱1,057,226)** | ₱94,092 | (₱760,085) |

[1] *Recognized net deferred tax assets of CADPI and CACI*
[2] *Recognized net deferred tax liabilities of RHI, RBC, NAVI and JOMSI*

Details of NOLCO and other deductible temporary differences for which no deferred tax assets were recognized and excess MCIT are as follows:

| | 2014 | 2013 |
|---|---|---|
| NOLCO | **₱12,069** | ₱20,466 |
| Allowance for impairment losses of receivables | **5,947** | 5,831 |
| Provision for inventory losses and obsolescence | **3,751** | 3,751 |
| Preoperating expenses | **617** | 617 |
| Excess MCIT | **77** | 77 |
| | **₱10,914** | ₱30,742 |

Management believes that it may not be probable that sufficient future taxable profits will be available against which the NOLCO, excess MCIT and other deductible temporary differences can be utilized.

b. Details of carry forward benefits arising from NOLCO and excess MCIT and the corresponding analysis of deferred tax assets are as follows:

*NOLCO*

| Incurred for the Year Ended | Balance as at September 30, 2013 | Additions | Applied | Expired | Balance as at September 30, 2014 | Available Until |
|---|---|---|---|---|---|---|
| Recognized – | | | | | | |
| September 30, 2014 | ₱– | ₱37,409 | ₱– | ₱– | ₱37,409 | September 30, 2017 |
| Unrecognized: | | | | | | |
| September 30, 2011 | 8,397 | – | – | 8,397 | – | September 30, 2014 |
| September 30, 2012 | 10,756 | – | – | – | 10,756 | September 30, 2015 |
| September 30, 2014 | 1,313 | – | – | – | 1,313 | September 30, 2017 |
| | 20,466 | – | – | 8,397 | 12,069 | |
| | ₱20,466 | ₱37,409 | ₱– | ₱8,397 | ₱49,478 | |

*MCIT*

| Incurred for the Period Ended | Balance as at September 30, 2013 | Additions | Applied | Expired | Balance as at September 30, 2014 | Available Until |
|---|---|---|---|---|---|---|
| Recognized: | | | | | | |
| September 30, 2012 | ₱9,521 | ₱– | ₱– | ₱– | ₱9,521 | September 30, 2015 |
| September 30, 2014 | – | 20,722 | – | – | 20,722 | September 30, 2017 |
| | 9,521 | 20,722 | – | – | 30,243 | |
| Unrecognized: | | | | | | |
| September 30, 2012 | 71 | – | – | – | 71 | September 30, 2015 |
| September 30, 2013 | 6 | – | – | – | 6 | September 30, 2016 |
| | 77 | – | – | – | 77 | |
| | ₱9,598 | ₱20,722 | ₱– | ₱77 | ₱30,320 | |

c. The reconciliation between the income tax expense computed at the applicable statutory tax rate and income tax expense (benefit) presented in the consolidated statement of income follows:

| | 2014 | 2013 (As restated - see Note 3) | 2012 (As restated - see Note 3) |
|---|---|---|---|
| Income tax expense at statutory tax rate | **₱202,882** | ₱220,596 | ₱165,521 |
| Tax effects of: | | | |
| Deficit (excess) of income over expense subject to Income Tax Holiday (ITH) | **(100,575)** | ₱11,699 | ₱36,323 |
| Nontaxable income | **(33,992)** | – | – |
| Equity in net losses (earnings) of an associate | **(24,964)** | (20,291) | (14,734) |
| Nondeductible expenses | **5,761** | 13,208 | 25,501 |
| Interest subject to final tax and dividend income exempt from tax | **(136)** | (460) | (249) |
| Unallowable interest expense | **38** | 167 | 191 |
| Nondeductible unrealized gross profit on inventories | **–** | 12,957 | – |
| Adjustments resulting from: | | – | – |
| Derecognition of DTA | **80,436** | – | – |
| Effect of change in tax rate | **(52,329)** | – | – |
| Effect of 10% statutory tax rate of RBC | **–** | – | – |
| Changes in unrecognized deferred tax assets | **2,484** | (6,890) | (367,896) |
| Application of MCIT | **–** | 20,571 | – |
| Expiration of excess MCIT credits | **–** | – | 14 |
| Others | **(7,514)** | (1,341) | 8,038 |
| Income tax expense (benefit) | **₱60,928** | ₱250,216 | (₱147,291) |

The current income tax expense of the Group in 2014 and 2013 pertains to RCIT or MCIT, whichever is higher, except for RBC, which is entitled to income tax holiday (ITH).

d. Registration with the Board of Investments (BOI)

On October 24, 2008, the BOI approved the registration of RBC as a New Producer of Bioethanol (Anhydrous) and Potable (Hydrous) Ethanol on a Pioneer and Non-Pioneer Status under the Omnibus Investments Code of 1987 or Executive Order (E.O.) No. 226. Under the terms of its registration, RBC is required to achieve certain production and sales volume for both anhydrous and hydrous ethanol.

On October 22, 2014, the BOI approved the amendment of registration of RBC from a New Producer of Bioethanol (Anhydrous) under E.O. No. 226 to Renewable Energy (R.E.) Developer of Biomass Resources under the Republic Act (R.A.) No. 9513. The registration as a New Producer of Potable Ethanol is maintained under E.O. No. 226.

As a registered enterprise, RBC is entitled to certain tax incentives, which include, among others:

- ITH for the first seven years from the start of commercial operations;

- Duty-free importation of machinery, equipment and materials including control and communication equipment within the first ten years from the issuance of the BOI certificate of registration until October 23, 2018;

- Realty and other taxes on civil works, equipment, machinery, and other improvements actually and exclusively used for R.E. facilities shall not exceed one and a half (1.5%) of the original cost less accumulated depreciation or net book value;

- NOLCO during the first three years from the start of commercial operation shall be carried over as a deduction from gross income for the next seven consecutive taxable years immediately following the year of such loss;

- Corporate tax rate of 10% on its net taxable income after seven years of ITH;

- If the Company did not avail of the ITH, the plant, machinery and equipment that are reasonably needed and actually used for the exploration, development and utilization of R.E. resources may be depreciated using a rate not exceeding twice the rate which would have been used had the annual allowance been computed; and

- Zero percent value-added tax rate on its purchase of local supply of goods, properties and services needed for the development, construction and installation of its plant facilities.

As a registered enterprise for its hydrous ethanol, RBC is entitled to certain tax incentives, which include, among others:

- ITH of four years for its hydrous ethanol from January 2010 until 2014 with possible extension of ITH provided that the aggregated ITH availment does not exceed eight years, subject to certain conditions;

- For the first five years from the date of registration, additional deduction from taxable income of 50% of the wages arising from additional workers hired, provided that it is not simultaneously availed with the ITH;

- Tax credit for taxes and duties on raw materials and supplies and semi-manufactured products used in producing its export product;

- Exemption from wharfage dues, any export tax, duties imposts and fees for ten years from date of registration;

- May qualify to import capital equipment, spare parts and accessories at 0% duty from date of registration up to June 16, 2011 pursuant to E.O. No. 528 and its Implementing Rules and Regulations; and

- Tax-free and duty-free importation of equipment.

Under the terms of its registration, RBC is required to achieve certain production and sales volume for ethanol.

Total tax incentives availed of amounted to ₱100.6 million in 2014. No tax incentives were availed of in 2013.

## 26. Earnings per Share

Earnings per share is computed as follows:

| | 2014 | | 2013 | | 2012 | |
|---|---|---|---|---|---|---|
| | **Basic** | **Diluted** | Basic | Diluted | Basic | Diluted |
| Net income attributable to the equity holders of the Parent Company (a) | **₱611,937** | **₱611,937** | ₱485,337 | ₱485,337 | ₱700,402 | ₱700,402 |
| Outstanding common shares at beginning of year | **909,552** | **909,552** | 909,552 | 909,552 | 909,552 | 909,552 |
| Average incremental number of shares under ESOP | **–** | **20,431** | – | 5,471 | – | – |
| Weighted average number of common shares outstanding (b) | **909,552** | **929,983** | 909,552 | 915,023 | 909,552 | 909,552 |
| Earnings per share (a/b) | **₱0.67** | **₱0.66** | ₱0.53 | ₱0.53 | ₱0.77 | ₱0.77 |

## 27. Commitments and Contingencies

a. Milling Contracts

CACI, CADPI (the "Mills") and the planters have milling contracts, which provide for a 35% and 65% sharing between the Mills and the Mills, respectively, of sugar, molasses and other sugar cane by-products, excluding bagasse, produced every crop year.

b. The Group has in its custody the following sugar owned by quedan holders:

| | **2014** | | 2013 | |
|---|---|---|---|---|
| | **Total Volume** *(in Thousands) (LKg*)* | **Estimated Market Value** *(Amounts in Millions)* | Total Volume *(in Thousands) (LKg*)* | Estimated Market Value *(Amounts in Millions)* |
| Raw sugar | **800** | **₱1,099** | 675 | ₱887 |
| Refined sugar | **–** | **–** | 678 | 1,095 |
| | **800** | **₱1,099** | 1,353 | ₱1,982 |

**Equivalent to 50 kilogram bag unit.*

The foregoing volume of sugar is not reflected in the consolidated statement of financial position since these are not considered assets of the Group. The Group is accountable to quedan holders for the value of trusteed sugar or their sales proceeds.

c. Sales Contracts

CADPI entered into sales contracts with principal customers for the sale of raw and refined sugar and molasses. As at September 30, 2014 and 2013, CADPI has outstanding sales contracts for refined sugar with a total value of ₱1,295.3 million for 673,212 LKg. bags and ₱1,109.8 million for 597,974 LKg. Bags, respectively (₱149.3 million for 66,497 LKg. bags in 2012).

d. Leases

i. The Group as a lessee, has an existing one-year lease agreement with CADPRFI for the lease of office space, which is renewable annually at the option of the Parent Company, CADPI and CACI under such terms and conditions mutually acceptable to all parties. Related rent expense charged to operations amounted to ₱1.5 million and ₱4.0 million in 2014 and 2013.

ii. Lease of offsite warehouse for a period of one year renewable at the option of CADPI as lessee through notification in writing not later than 90 days prior to the expiration of the agreement. Related rent expense charged to operations amounted to ₱0.5 million and ₱0.3 million in 2014 and 2013, respectively (₱0.4 million in 2012).

iii. On December 22, 2010, the Group entered into a memorandum of agreement with a lessee for the lease of parcels of farmlands. The term of the agreement shall be for four years commencing in crop year 2011 to 2012 and ending in crop year 2014 to 2015. Unless sooner terminated by the parties, the lease agreement is renewable for another two crop years. As a consideration for the lease agreement, the lessee shall deliver to the Group its share in the sugar production in the amount of 18 Lkg of raw sugar per hectare of plantable area per annum. As of September 30, 2012, the Group received ₱1.0 million in cash as deposit on the lease agreement. Outstanding deposit from the lessee as at September 30, 2014 and 2013 amounted to ₱0.5 million (included under "Trade and other payables" in the statement of financial position).

Future minimum rent receivable under the foregoing lease agreements as at September 30, 2014 and 2013 are as follows:

| | 2014 | 2013 |
|---|---|---|
| Within one year | **₱7,453** | ₱7,453 |
| After one year but not more than five years | **–** | 7,453 |
| | **₱7,453** | ₱14,906 |

e. Hauling Services Contracts

Contract for hauling services for the transport of sugarcane from the plantation to the mill. Related hauling expense included in "Cost of goods sold" account under "Planters' subsidy and productivity assistance" amounted to ₱583.8 million and ₱578.0 million in 2014 and 2013, respectively (₱615.2 million in 2012) (see Note 21).

f. Emission Reduction Purchase Agreement

On January 14, 2009, RBC and World Bank signed a $3.2 million Emission Reduction Purchase Agreement (ERPA) for the purchase of carbon emission credits under the Clean Development Mechanism of the Kyoto Protocol. The ERPA will also avoid at least 50,000 metric tons of carbon dioxide each year and has a crediting period of 10 years starting 2010.

As part of the ERPA, part of the revenue for the purchase of the credits will be used to finance RBC's community development projects.

g. Contingencies

In the opinion of management and legal counsel, there are no other pending labor or other legal cases and claims in the ordinary course of business that will have a material effect on the financial position and performance of the Group except for the disputed claims for which the Group did not recognize additional provision for losses in 2014 and 2013.

Outstanding provision for losses for disputed claims and assessments amounted to ₱16.2 million and ₱48.4 million as at September 30, 2014 and 2013 presented under "Trade and other payables" account (see Note 15).

h. Unused Credit Lines

As at September 30, 2014 and 2013, the Group has unused lines of credit with local banks amounting to ₱3,089.5 million and ₱2,922.5 million, respectively.

## 28. Financial Instruments

Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise of cash in banks and cash equivalents, trade and other receivables, and trade and other payables, which arise directly from its operations, and short and long-term borrowings. The Group has other financial instruments such as restricted cash and dividends payable.

The main risks arising from the Group's financial instruments are liquidity risk, credit risk and interest rate risk. The Group monitors the market price risk arising from all financial instruments. The Group's operations are also exposed to commodity price risk, particularly from sugar prices. Risk management is carried out by senior management under the guidance and direction of the BOD of the Parent Company.

*Liquidity risk*

Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet maturing obligations.

The Group's objective is to maintain sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the business, the Group aims to maintain flexibility in funding by keeping track of daily cash flows and maintaining committed credit lines available.

The tables below summarize the maturity profile of the Group's financial liabilities based on contractual undiscounted payments and the related financial assets used for liquidity management.

| | 2014 | | | | | | |
|---|---|---|---|---|---|---|---|
| | On Demand | Less than One Year | Over One to Two Years | Over Two to Four Years | Over Four to Five Years | Over Five Years | Total |
| Short-term borrowings* | ₱– | ₱722,694 | ₱– | ₱– | ₱– | ₱– | ₱722,694 |
| Trade and other payables** | 494,422 | 83,527 | – | – | – | – | 577,949 |
| Current portion of long-term borrowings* | – | 261,667 | – | – | – | – | 261,667 |
| Noncurrent portion of long-term borrowings | – | – | 1,367,216 | 789,495 | 1,318,734 | 2,650,581 | 6,126,026 |
| | ₱494,422 | ₱1,067,888 | ₱1,367,216 | ₱789,495 | ₱1,318,734 | ₱2,650,581 | ₱7,688,336 |
| Cash in banks and cash equivalents | ₱102,077 | ₱– | ₱– | ₱– | ₱– | ₱– | ₱102,077 |
| Trade receivables*** | 623,502 | 320,787 | – | – | – | – | 944,289 |
| Due from related parties | 58,803 | 12,502 | 142 | – | – | – | 71,447 |
| Due from employees*** | 22,730 | 9,147 | – | – | – | – | 31,877 |
| Other receivables*** | 4,083 | 7,738 | – | – | – | – | 11,821 |
| | ₱811,195 | ₱350,174 | ₱141 | ₱– | ₱– | ₱– | ₱1,161,511 |

* *Including expected future interest payments for short-term and long-term borrowings amounting to ₱3.6 million and ₱1,225.5 million, respectively.*
** *Excludes payables to government agencies amounting to ₱48.6 million.*
****Net of related allowances for impairment losses totaling ₱79.3 million.*

| | 2013 | | | | | | |
|---|---|---|---|---|---|---|---|
| | On Demand | Less than One Year | Over One to Two Years | Over Two to Four Years | Over Four to Five Years | Over Five Years | Total |
| Short-term borrowings* | ₱43,081 | ₱980,498 | ₱– | ₱– | ₱– | ₱– | ₱1,023,579 |
| Trade and other payables** | 489,897 | – | – | – | – | – | 489,897 |
| Current portion of long-term borrowings* | – | 497,257 | – | – | – | – | 497,257 |
| Noncurrent portion of long-term borrowings | – | – | 1,588,184 | 3,657,546 | 1,820,003 | 388,013 | 7,453,746 |
| | ₱532,978 | ₱1,477,755 | ₱1,588,184 | ₱3,657,546 | ₱1,820,003 | ₱388,013 | ₱9,464,479 |
| Cash in banks and cash equivalents | ₱164,798 | ₱– | ₱– | ₱– | ₱– | ₱– | ₱164,798 |
| Trade receivables*** | 105,869 | 1,063,327 | 12,632 | – | – | – | 1,181,828 |
| Due from related parties | 71,090 | 3,658 | 9,461 | – | – | – | 84,209 |
| Due from employees*** | 18,521 | 9,059 | 4,773 | – | – | – | 32,353 |
| Other receivables*** | 50,029 | 3,883 | 908 | – | – | – | 54,820 |
| Restricted cash | – | 32,839 | – | – | – | – | 32,839 |
| | ₱410,307 | ₱1,112,766 | ₱27,774 | ₱– | ₱– | ₱– | ₱1,550,847 |

* *Including expected future interest payments for short-term and long-term borrowings amounting to ₱3.1 million and ₱1,115.5 million, respectively.*
** *Excludes payables to government agencies and provision for loss amounting to ₱128.4 million and ₱48.4 million, respectively.*
****Net of related allowances for impairment losses totaling ₱119.2 million.*

*Credit risk*

Credit risk is the risk that the Group will incur financial loss through default by counterparties in performing their obligations.

Concentration of credit risk with respect to trade receivables is limited due to the large number of customers comprising the Group's customer base and their dispersion across different geographic areas. It has policies in place to ensure that sales of goods are made to customers with an appropriate credit history.

The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty credit limits are established by the use of a credit risk classification system, which assigns each counterparty a qualitative risk rating. Risk ratings are subject to regular revision. The credit quality review process allows the Group to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

*Maximum exposure to credit risk without taking account of any collateral and other credit enhancements*

The table below shows the maximum exposure to credit risk of the Group shown at gross before the effect of mitigation through collateral agreements.

| | **2014** | 2013 |
|---|---|---|
| Cash in banks and cash equivalents | **₱102,077** | ₱164,798 |
| Trade receivables* | **944,289** | 1,181,828 |
| Due from related parties | **71,447** | 84,209 |
| Due from employees* | **31,877** | 32,353 |
| Other receivables* | **14,509** | 54,820 |
| Restricted cash | **–** | 32,839 |
| | **₱1,164,199** | ₱1,550,847 |

** Net of allowance for impairment losses totaling ₱79.3 million in 2014 and ₱119.2 million in 2013.*

*Collaterals and other credit enhancements*

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters. As at September 30, 2014 and 2013, the Group did not hold collateral from any counterparty.

*Credit quality per class of financial assets*

The credit quality of receivables is managed by the Group through its Marketing Department. High grade accounts are those receivables from counterparties with whom collections are made without much collection effort. Cash in banks, cash equivalents and restricted cash are considered high grade since these are deposited in reputable banks with good credit rating and low probability of insolvency. Standard grade accounts consist of receivables from its distributors, related parties and employees with good financial condition and with relatively low defaults. Substandard grade accounts, on the other hand, are receivables from other counterparties with history of defaulted payments.

The tables below show the credit quality of financial assets which are neither past due nor impaired and an aging analysis of past due but not impaired accounts.

| | 2014 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Neither past due nor impaired | | | Past due but not impaired | | | | |
| | High Grade | Standard Grade | Substandard Grade | Over 30 Days | Over 90 Days | Over 180 Days | Impaired | Total |
| Cash in banks and cash equivalents | ₱102,077 | ₱– | ₱– | ₱– | ₱– | ₱– | ₱– | ₱102,077 |
| Trade receivables | 617,645 | 5,857 | – | 101,358 | 53,039 | 166,390 | 39,176 | 983,465 |
| Due from related parties | – | 58,803 | – | 6,488 | 6,014 | 142 | – | 71,447 |
| Due from planters and cane haulers | – | 38,095 | – | – | – | – | 12,547 | 50,642 |
| Due from employees | – | 22,730 | – | 70 | 565 | 8,512 | 733 | 32,610 |
| Other receivables* | – | 4,083 | – | 44 | 1,360 | 6,334 | 10,050 | 21,871 |
| Total | ₱719,722 | ₱129,568 | ₱– | ₱107,960 | ₱60,978 | ₱181,378 | ₱62,506 | ₱1,262,112 |

** Excludes advances for raw sugar purchases amounting to ₱24.3 million.*

| | 2013 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Neither past due nor impaired | | | Past due but not impaired | | | | |
| | High Grade | Standard Grade | Substandard Grade | Over 30 Days | Over 90 Days | Over 180 Days | Impaired | Total |
| Cash in banks and cash equivalents | ₱164,798 | ₱– | ₱– | ₱– | ₱– | ₱– | ₱– | ₱164,798 |
| Trade receivables | 636,848 | 38,324 | – | 417,392 | 54,744 | 34,520 | 92,556 | 1,274,384 |
| Due from related parties | – | 53,584 | – | 1,282 | 747 | 28,596 | – | 84,209 |
| Due from planters and cane haulers | – | 31,825 | – | – | – | – | 14,130 | 45,955 |
| Due from employees | – | 26,537 | – | 119 | 71 | 5,626 | 1,342 | 33,695 |
| Other receivables* | – | 13,931 | – | 235 | – | 8,815 | 11,167 | 34,148 |
| Restricted cash | 32,839 | – | – | – | – | – | – | 32,839 |
| Total | ₱834,485 | ₱164,201 | ₱– | ₱419,028 | ₱55,562 | ₱77,557 | ₱119,195 | ₱1,670,028 |

** Excludes advances for raw sugar purchases amounting to ₱18.2 million.*

*Impairment assessment*

The main consideration for impairment assessment includes whether there are known difficulties in the cash flow of the counterparties. The Group assesses impairment in two ways: individually and collectively.

First, the Group determines allowance for each significant receivable 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 receivables. Receivables included in the specific assessment are the accounts that have been endorsed to the legal department, non-moving accounts receivable and other accounts of defaulted counterparties.

For collective assessment, allowances are assessed for receivables that are not individually significant and for individually significant receivables where there is no objective evidence of individual impairment. Impairment losses are estimated by taking into consideration the age of the receivables, past collection experience and other factors that may affect their collectibility.

The Group has recognized an impairment loss on its receivables using specific assessment amounting to nil and ₱6.2 million in 2014 and 2013, respectively (₱100.3 million in 2012).

*Commodity price risk*

The Group is exposed to commodity price risk from conventional physical sales and purchase of sugar managed through volume, timing and relationship strategies. The Group does not enter into commodity derivatives.

The Group's sales commitments are contracted at fixed prices, and thus have no impact on the consolidated cash flows in the next 12 months.

*Interest rate risk*

The primary source of the Group's interest rate risk relates to interest-bearing financial liabilities. The interest rates on these liabilities are disclosed in Notes 13 and 14.

The loans amounting to ₱110.0 million and ₱6,834.8 million as at September 30, 2014 and 2013, respectively, bear floating interest and expose the Group to interest rate risk.

The following table demonstrates the sensitivity analysis to a reasonably possible change in interest rates, with all other variables held constant, of the Group's income before income tax (through the impact of floating rate borrowings) and equity in 2014 and 2013. The estimates are based on the outstanding interest bearing liabilities of the Group with floating interest rate as at September 30, 2014 and 2013.

| | **2014** | |
|---|---|---|
| **Increase (Decrease)** | **Effect on Income before Tax** | **Effect on Equity** |
| **0.25%** | **(₱2,263)** | **(₱1,584)** |
| **(0.25%)** | **2,263** | **1,584** |

| | 2013 | |
|---|---|---|
| Increase (Decrease) | Effect on Income before Tax | Effect on Equity |
| 0.5% | (₱34,174) | (₱23,922) |
| (0.5%) | 34,174 | 23,922 |

Interest on financial liabilities with fixed interest rate is fixed until the maturity of the instrument (see Notes 13 and 14).

The other financial instruments of the Group that are not included in the foregoing tables are noninterest-bearing and are therefore not subject to interest rate risk.

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains strong credit and healthy capital ratios in order to support its business and maximize shareholder value.

The Group's dividend declaration is dependent on availability of earnings and operating requirements. The Group manages its capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for the years ended September 30, 2014 and 2013.

Management considers the total consolidated equity reflected in the consolidated statement of financial position as its capital. The Group monitors its use of capital using leverage ratios, specifically, debt-to-equity ratio. It also monitors its DSCR to ensure that there would be sufficient amount of cash flow available to meet annual interest and principal payments on debt.

The Group is required to maintain a maximum debt-to-equity ratio of 2.33:1 and minimum DSCR of 1.25:1 by its creditor banks. The Group has the following debt-to-equity ratio:

| | **2014** | 2013 (As restated - see Note 3) |
|---|---|---|
| Total liabilities | **₱7,772,044** | ₱9,560,349 |
| Total equity | **6,927,851** | 5,560,882 |
| Total liabilities and equity | **₱14,699,895** | ₱15,121,231 |
| Debt-to-equity ratio | **1.12:1.00** | 1.72:1.00 |

Fair Values

The following is a comparison by category of carrying amounts and fair values of the Group's financial instruments that are reflected in the consolidated financial statements:

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | **Carrying Value** | **Fair Value** | Carrying Value | Fair Value |
| **Financial Assets** | | | | |
| Cash on hand | **₱3,955** | **₱3,955** | ₱1,155 | ₱1,155 |
| Loans and receivables: | | | | |
| Cash in banks and cash equivalents | **102,077** | **102,077** | 164,798 | 164,798 |
| Trade receivables* | **944,289** | **944,289** | 1,181,828 | 1,181,828 |
| Due from related parties | **71,447** | **71,447** | 84,209 | 84,209 |
| Due from employees* | **31,877** | **31,877** | 32,353 | 32,353 |
| Restricted cash | **–** | **–** | 32,839 | 32,839 |
| Others receivables* | **14,509** | **14,509** | 54,820 | 54,820 |
| | **₱1,168,154** | **₱1,168,154** | ₱1,552,002 | 1,552,002 |
| **Financial Liabilities** | | | | |
| Other financial liabilities: | | | | |
| Short-term borrowings | **₱719,100** | **₱719,100** | ₱1,020,527 | ₱1,020,527 |
| Trade and other payables** | **577,949** | **577,949** | 489,897 | 489,897 |
| Long-term borrowings | **5,143,592** | **5,323,246** | 6,835,522 | 7,197,560 |
| | **₱6,440,641** | **₱6,620,295** | ₱8,345,946 | ₱8,707,984 |

* *Net of related allowance for impairment losses totaling ₱79.3 million in 2014 and ₱119.2 million in 2013.*

** *Excludes payables to government agencies amounting to ₱48.6 million.*

The following methods and assumptions are used to estimate the fair value of each class of financial instruments.

*Cash and cash equivalents, trade receivables, due to and from related parties, due from employees, dividends receivable, other receivables, trade and other payables, short-term borrowings, current portion of long-term borrowings and dividends payable.* The carrying amounts of these instruments approximate fair values due to their short-term maturities.

*Long-term borrowings.* Fair values of long-term borrowings as at September 30, 2014 and 2013 were determined based on Level 2 in which the inputs are based on the discounted interest rate of the prevailing comparable instrument in the market.

## 29. Segment Reporting

The Group's identified operating segments, which are consistent with the segments reported to the senior management, are as follows:

a. RHI is a diversified holding and investment corporation with specific focus on sugar milling and refining business.

b. CADPI is engaged in the business of producing, marketing and selling raw and refined sugar, molasses and other related products or by-products and offers tolling services to traders and planters. It has a raw sugar milling and refinery plant located in Nasugbu, Batangas with daily cane capacity of 11,000 metric tons as at September 30, 2014 and 11,000 metric tons as at September 30, 2013 (18,000 metric tons as at September 30, 2012). CADPI's raw sugar milling is involved in the extraction of juices from the canes to form sweet granular sugar which is light brown to yellowish in color. Canes are sourced from both district and non-district planters and are milled by CADPI under a milling contract, which provides for a 65% and 35% sharing between the planters and CADPI (see Note 27). The refinery operations, on the other hand, involve the processing of raw sugar (mill share and purchased) into refined sugar, a lustrous white-colored sugar. To ensure maximum utilization of the refinery, CADPI also offers tolling services, which converts raw sugar owned by planters and traders into refined sugar in consideration for a tolling fee.

c. CACI produces raw sugar and molasses and trades the same on wholesale/retail basis. It also sells refined sugar upon tolling its raw sugar with other sugar mills. Its sugar milling plant, which has a similar process with CADPI and has a daily cane capacity of 13,690 metric tons at September 30, 2014 and 13,000 metric tons as September 30, 2013 (13,000 metric tons as at September 30, 2012), is located in La Carlota, Negros Occidental.

d. RBC was established to engage in the business of producing, marketing and selling of bio-ethanol fuel, both hydrous and anhydrous products from sugarcane and related raw materials. Its plant facility is located in La Carlota, Negros Occidental.

e. Other segments of the Group, which are not reported separately, pertain mainly to consultancy business, dealer and trader of agricultural products and subsidiaries with no operations yet.

The Group has only one geographical segment as all of its assets are located in the Philippines. The Group operates and derives principally its revenue from domestic operations. Thus, geographical business information is not required.

The Group's senior management regularly reviews the operating results of the business units to make decisions on resource allocation and assess performance. Segment revenue and segment expenses are measured in accordance with PFRS. The presentation and classification of segment revenues and segment expenses are consistent with the consolidated statement of income. Financing costs (including interest expense) and income taxes are managed on per company basis and are not allocated to operating segments.

Further, the measurement of the segments is the same as those described in the summary of significant accounting and financial reporting policies, except for RHI investment properties, which are carried at fair value in the separate financial statements. RHI's investment properties, which are being leased out to its subsidiary, are reclassified to property, plant and equipment in the consolidated financial statements.

a. Segment revenue and expenses

   The Group's main revenue stream comes from the sale of sugar and molasses. Its customers consist largely of sugar traders, wholesalers and beverage companies, which are situated in various parts of the Philippines, with concentration in the Visayas and Metro Manila.

   As of September 30, 2014 and 2013, revenues from two major customers of CACI amounted to ₱774.5 million or 30% of the Group's revenues and ₱546.5 million or 9.0% of Group's revenue (₱731.0 million or 9.5% of the Group's revenues in 2012). CADPI earned revenues of ₱997.9 million or 12% of the Group's revenues in 2014 and ₱1,720.3 million or 28.4% of the

Group's revenues in 2013 (₱1,352.7 million or 17.6% of the Group's revenues in 2012) from its two major customers.

b. Segment assets and liabilities

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories, prepayments and property, plant and equipment, net of related accumulated depreciation. Segment liabilities include all operating liabilities and consist principally of trade payables, accruals and customers' deposits. Segments assets and liabilities do not include deferred income taxes.

c. Inter-segment transfers

Segment revenue, expenses and results include transfers between business segments. Such transfers are accounted for at competitive market prices charged to unrelated customers or by suppliers for similar goods or services.

The following tables present information about the Group's operating segments:

| | 2014 | | | | | | |
|---|---|---|---|---|---|---|---|
| | RHI | CADPI | CACI | RBC | Others | Eliminations and Adjustments | Consolidated |
| **Revenue** | | | | | | | |
| External customers: | | | | | | | |
| Refined sugar | ₱– | ₱3,104,210 | ₱– | ₱514,382 | ₱– | ₱– | ₱3,618,592 |
| Raw sugar | – | 89 | 2,336,219 | – | – | – | 2,336,308 |
| Tolling fees | – | 66,959 | – | – | – | – | 66,959 |
| Molasses | – | 313,975 | 62,311 | – | – | – | 376,286 |
| Alcohol | – | – | – | 1,918,573 | – | – | 1,918,573 |
| | – | 3,485,233 | 2,398,530 | 2,432,954 | – | – | 8,316,718 |
| Inter-segment | – | 668,835 | 1,027,452 | – | – | (1,696,287) | – |
| Costs and expenses | (25,227) | (4,105,802) | (3,203,204) | (2,117,875) | (2,745) | 1,816,222 | (7,638,631) |
| Interest income | 17 | 247 | 797 | 56 | 6 | – | 1,123 |
| Interest expense | (30,746) | (179,462) | (86,770) | (17,565) | – | – | (314,543) |
| Others | 1,370,312 | 109,117 | 40,915 | 979 | 24,168 | (1,317,098) | 228,393 |
| Income (loss) before income tax | 1,314,356 | (21,832) | 177,720 | 298,549 | 21,429 | (1,197,163) | 593,060 |
| Income tax benefit (expense) | (288,546) | 5,172 | (64,267) | (5,581) | (6,430) | 298,724 | (60,928) |
| **Segment profit (loss)** | 1,025,810 | (16,660) | 113,453 | 292,968 | 14,999 | (898,439) | 532,132 |
| Equity in net earnings of an associate | – | – | – | – | – | 83,214 | 83,214 |
| **Consolidated net income (loss)** | ₱1,025,810 | (₱16,660) | ₱113,453 | ₱292,968 | ₱14,999 | (₱815,225) | ₱615,346 |
| **Other Information** | | | | | | | |
| Major costs and expenses: | | | | | | | |
| Depreciation and amortization | ₱5,426 | ₱338,733 | ₱245,193 | ₱91,469 | ₱14 | ₱– | ₱680,835 |
| Fuel and oil | – | 218,934 | 11,056 | 54,286 | – | – | 284,276 |
| Materials and consumables | 193 | 152,734 | 79,040 | 2,327 | 34 | – | 234,328 |
| Repairs and maintenance | 56 | 71,282 | 140,934 | 14,425 | – | – | 226,697 |
| Additions to noncurrent assets: | | | | | | | |
| Investment in an associate | 259,907 | – | – | – | – | 366,774 | 626,681 |
| Property, plant and equipment | – | 181,412 | 170,220 | 51,630 | – | – | 403,262 |
| **Assets and Liabilities** | | | | | | | |
| Current assets | 159,960 | 1,387,677 | 803,958 | 784,317 | 4,340 | (902,629) | 2,237,623 |
| Noncurrent assets | 7,644,470 | 4,540,380 | 3,440,483 | 1,514,721 | 159,568 | (4,837,350) | 12,462,272 |
| Total assets | ₱7,804,430 | ₱5,928,057 | ₱4,244,441 | ₱2,299,038 | ₱163,908 | (5,739,979) | ₱14,699,895 |
| Current liabilities | ₱58,069 | ₱492,126 | ₱718,833 | ₱1,073,018 | ₱19,003 | (₱916,472) | ₱1,444,577 |
| Noncurrent liabilities | 1,579,729 | 3,232,102 | 1,453,643 | 25,599 | 44,892 | (8,498) | 6,327,467 |
| Total liabilities | ₱1,637,798 | ₱3,724,228 | ₱2,172,476 | ₱1,098,617 | ₱63,895 | (₱924,970) | ₱7,772,044 |

| | 2013 (As restated - see Note 3) | | | | | | |
|---|---|---|---|---|---|---|---|
| | RHI | CADPI | CACI | RBC | Others | Eliminations and Adjustments | Consolidated |
| **Revenue** | | | | | | | |
| External customers: | | | | | | | |
| Refined sugar | ₱– | ₱3,728,423 | ₱– | ₱– | ₱– | ₱– | ₱3,728,423 |
| Raw sugar | – | 50,537 | 1,526,780 | – | – | – | 1,577,317 |
| Tolling fees | – | 19,246 | – | – | – | – | 19,246 |
| Molasses | – | 200,860 | 162,903 | – | – | – | 363,763 |
| Alcohol | – | – | – | 375,104 | – | – | 375,104 |
| Others | – | – | – | – | 875 | – | 875 |
| | – | 3,999,066 | 1,689,683 | 375,104 | 875 | – | 6,064,728 |
| Inter-segment | 32,001 | 190,429 | 1,166,762 | 237,965 | – | (1,627,157) | – |
| Costs and expenses | (59,049) | (3,761,508) | (2,304,542) | (657,857) | (5,279) | 1,704,906 | (5,083,329) |
| Inventory losses | – | – | (7,900) | (4,214) | (1,430) | – | (13,544) |
| Interest income | 120 | 609 | 1,536 | 58 | 63 | – | 2,386 |
| Interest expense | (32,733) | (215,390) | (90,209) | (52,330) | – | – | (390,662) |
| Others | 120,681 | 22,025 | 20,735 | 62,751 | 5,690 | (143,775) | 88,107 |
| Income (loss) before income tax | 61,020 | 235,231 | 476,065 | (101,274) | (81) | (66,026) | 667,686 |
| Income tax expense | (12,342) | (83,419) | (153,613) | – | (843) | – | (250,217) |
| **Segment profit (loss)** | 48,678 | 151,812 | 322,452 | (38,523) | (924) | (66,026) | 417,469 |
| Equity in net earnings of an associate | – | – | – | – | – | 68,315 | 68,315 |
| **Consolidated net income (loss)** | ₱48,678 | ₱151,812 | ₱322,452 | (₱38,523) | (₱924) | ₱2,289 | ₱485,784 |

| | 2013 (As restated - see Note 3) | | | | | | |
|---|---|---|---|---|---|---|---|
| | RHI | CADPI | CACI | RBC | Others | Eliminations And Adjustments | Consolidated |
| **Other Information** | | | | | | | |
| Major costs and expenses: | | | | | | | |
| Depreciation and amortization | ₱5,780 | ₱337,194 | ₱250,067 | ₱84,581 | ₱2,027 | ₱– | ₱679,649 |
| Fuel and oil | 11 | 190,460 | 16,704 | 83,145 | – | – | 290,320 |
| Materials and consumables | 1,009 | 125,625 | 122,672 | 10,034 | – | – | 259,340 |
| Repairs and maintenance | – | 84,267 | 76,564 | 3,683 | – | – | 164,514 |
| Additions to noncurrent assets: | | | | | | | |
| Investment in an associate | 4,371,091 | 1,040,165 | – | – | – | (4,799,329) | 611,927 |
| Property, plant and equipment | 2,232 | 98,786 | 77,584 | 40,428 | – | – | 219,030 |
| **Assets and Liabilities** | | | | | | | |
| Current assets | 198,353 | 2,963,269 | 958,355 | 812,281 | 71,637 | (1,447,308) | 3,556,587 |
| Noncurrent assets | 6,563,643 | 4,667,615 | 3,437,313 | 1,535,808 | 195,170 | (4,834,905) | 11,564,644 |
| Total assets | ₱6,761,996 | ₱7,630,884 | ₱4,395,668 | ₱2,348,089 | ₱266,807 | (₱6,282,213) | ₱15,121,231 |
| Current liabilities | ₱310,591 | ₱1,319,285 | ₱917,655 | ₱541,898 | ₱197,123 | (₱1,389,478) | ₱1,897,074 |
| Noncurrent liabilities | 1,264,203 | 3,940,878 | 1,469,000 | 948,365 | 48,157 | (7,328) | 7,663,275 |
| Total liabilities | ₱1,574,794 | ₱5,260,163 | ₱2,386,655 | ₱1,490,263 | ₱245,280 | (₱1,396,806) | ₱9,560,349 |

## 30. Events After Reporting Year

On December 5, 2014, the BOD of the Parent Company approved the declaration and payment of cash dividend of ₱0.12 a share to all stockholders of record as at December 22, 2014. The dividend is payable on January 15, 2015.

On October 6, 2014, the BOD of HPCo approved the declaration and payment of cash dividend of ₱1.41 a share to all stockholders of record as of that date out of HPCo's unrestricted retained earnings. Dividends attributable to the Parent Company amounted to ₱40.3 million, which were paid on November 13, 2014.

# SECOND SECTION

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

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BOA/PRC Accreditation No. 4782
November 12, 2012, valid until December 31, 2015
SEC Accreditation No. 0207-FR-1 (Group A)
September 6, 2013, valid until September 5, 2016

**REPORT OF INDEPENDENT AUDITOR**
**ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors
Roxas Holdings, Inc.
6th Floor, Cacho-Gonzales Building
101 Aguirre Street, Legaspi Village
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Roxas Holdings, Inc. and Subsidiaries (the Group) as at and for the years ended September 30, 2014 and 2013 (with comparative figures for 2012), and have issued our report thereon dated December 5, 2014. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary schedules listed in the Index to Consolidated Financial Statements, Schedule of Financial Soundness Indicators and Corporate Structure are the responsibility of the Group's management. These information are presented for purposes of complying with the Securities Regulation Code Rule 68, as Amended, and are not part of the consolidated financial statements. These information have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, fairly state in all material respects the information required to be set forth therein in relation to the consolidated financial statements taken as a whole.

**REYES TACANDONG & CO.**

PROTACIO T. TACANDONG
Partner
CPA Certificate No. 25006
Tax Identification No. 105-309-124-000
BOA Accreditation No. 4782; Valid until December 31, 2015
SEC Accreditation No. 1024-AR-1 Group A
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December 5, 2014
Makati City, Metro Manila

**ROXAS HOLDINGS, INC. AND SUBSIDIARIES**
**Index to Consolidated Financial Statements**
**As at and For the Year Ended September 30, 2014**

Table of Contents



N/A – Not applicable

SCHEDULE A

## ROXAS HOLDINGS, INC. AND SUBSIDIARIES

### FINANCIAL ASSETS

**SEPTEMBER 30, 2014**

**(Amounts in Thousands)**

| Description | Carrying Value | Fair Value |
|---|---|---|
| Cash on hand | ₱3,955 | ₱3,955 |
| Loans and receivables: | | |
| Cash in banks | 102,077 | 102,077 |
| Trade receivables* | 944,289 | 944,289 |
| Due from related parties | 71,447 | 71,447 |
| Due from employees* | 31,877 | 31,877 |
| Others* | 14,509 | 14,509 |
| | ₱1,168,154 | ₱1,168,154 |

*Net of allowance for impairment losses totaling to ₱79.3 million.

SCHEDULE B

## ROXAS HOLDINGS, INC. AND SUBSIDIARIES

## AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)

**SEPTEMBER 30, 2014**

**(Amounts in Thousands)**

| Name and designation of debtor | Balance at beginning of year | Additions | Amounts collected | Amounts written off | Current | Noncurrent | Balance at end of year |
|---|---|---|---|---|---|---|---|
| Various employees (educational loans/advances) | ₱37,148 | ₱4,383 | (₱6,031) | ₱– | ₱32,610 | ₱2,890 | ₱35,500 |

SCHEDULE C

## ROXAS HOLDINGS, INC. AND SUBSIDIARIES

## AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING CONSOLIDATION OF FINANCIAL STATEMENTS

**SEPTEMBER 30, 2014**

**(Amounts in Thousands)**

| Creditor | Name and designation of debtor | Balance at beginning of year | Additions | Amounts collected | Amounts written off | Current | Noncurrent | Balance at end of year |
|---|---|---|---|---|---|---|---|---|
| Roxas Holdings, Inc. (RHI) | | | | | | | | |
| | Central Azucarera Don Pedro, Inc. (CADPI) | ₱231,530 | ₱186,557 | (₱394,841) | ₱– | ₱23,246 | ₱– | ₱23,246 |
| | Central Azucarera De La Carlota, Inc. (CACI) | 116,723 | 84,635 | (182,358) | – | 19,000 | – | 19,000 |
| | Najalin Agri-Ventures, Inc. (NAVI) | 14,750 | – | – | – | 14,750 | – | 14,750 |
| | CADP Insurance Agency, Inc. (CIAI) | 599 | – | – | – | 599 | – | 599 |
| | Roxas Power Corporation (RPC) | 446 | – | – | – | 446 | – | 446 |
| | CADP Port Services, Inc. (CPSI)* | 353 | – | – | – | 353 | – | 353 |
| | CADP Farm Services, Inc. (CFSI)* | 14,926 | – | (14,926) | – | – | – | – |
| | CADP Consultancy Services, Inc. (CCSI)* | 274 | – | (274) | – | – | – | – |
| | Jade Orient Management Services, Inc. (JOMSI)* | 157 | – | (157) | – | – | – | – |
| CADPI | CACI | 336,473 | – | (319,967) | – | 16,506 | – | 16,506 |
| | Roxol Bioenergy Corp. (RBC) | 400,989 | – | (395,561) | – | 5,428 | – | 5,428 |
| | NAVI | 1,445 | – | – | – | 1,445 | – | 1,445 |
| CACI | RHI | 215,582 | 86,491 | (302,073) | – | – | – | – |
| | CADPI | 35,408 | 16,506 | (51,914) | – | – | – | – |
| | NAVI | 4,892 | – | (4,892) | – | – | – | – |
| RBC | RHI | 2,900 | – | (2,900) | – | – | – | – |
| RPC | CADPI | – | 885 | – | – | 885 | – | 885 |
| CIAI | CCSI | 19 | – | – | – | 19 | – | 19 |
| | CADPI | – | 9 | – | – | 9 | – | 9 |
| | | ₱1,377,466 | ₱375,083 | (₱1,669,863) | ₱– | ₱82,686 | ₱– | ₱82,686 |

*Merged with CADPI

SCHEDULE D

# ROXAS HOLDINGS, INC. AND SUBSIDIARIES

## INTANGIBLE ASSETS – OTHER ASSETS

SEPTEMBER 30, 2014

(Amounts in Thousands)

| Description | Beginning balance | Additions at cost | Amortization | Charged to other accounts | Other changes additions (deductions) | Ending balance |
|---|---|---|---|---|---|---|
| Software cost | ₱7,684 | ₱11,614 | (₱9,228) | ₱– | ₱– | ₱10,070 |
| Goodwill | 9,796 | – | – | – | – | 9,796 |
| | ₱17,480 | ₱11,614 | (₱9,228) | ₱– | ₱– | ₱19,866 |

*Intangible assets are included under "Other noncurrent assets" account.

SCHEDULE E

## ROXAS HOLDINGS, INC. AND SUBSIDIARIES

### LONG-TERM BORROWINGS

**SEPTEMBER 30, 2014**

**(Amounts in Thousands)**

| Title of issue and type of obligation | Amount shown under "Current portion of long-term borrowings" account in the consolidated statement of financial position | Amount shown under "Long-term borrowings" account in the consolidated statement of financial position |
|---|---|---|
| Banco de Oro Unibank, Inc. (BDO) Loan Facilities | ₱27,574 | ₱3,461,941 |
| Bank of the Philippine Islands (BPI) Loan Facilities | 1,333 | 1,224,620 |
| Rizal Commercial Banking Corporation (RCBC) Loan Facility | - | 378,123 |
| Syndicated Loans with BPI and RCBC | 13,334 | 36,667 |
| | ₱42,241* | ₱5,101,351* |

*Net of transaction cost

Details are discussed in Note 15 to consolidated financial statements.

SCHEDULE H

## ROXAS HOLDINGS, INC. AND SUBSIDIARIES

### CAPITAL STOCK

### SEPTEMBER 30, 2014

| Title of issue | Number of shares authorized | Number of shares issued and outstanding as shown under "capital stock" account in the consolidated statement of financial position | Number of shares reserved for options, warrants, conversion, and other rights | Number of shares held by related parties | Directors and officers | Others |
|---|---|---|---|---|---|---|
| Common shares - "Class A" at ₱1 par value | 1,500,000,000 | 909,552,236 | 65,000,000 | 667,670,465 | 26,073,248 | 215,808,523 |

## ROXAS HOLDINGS, INC. AND SUBSIDIARIES

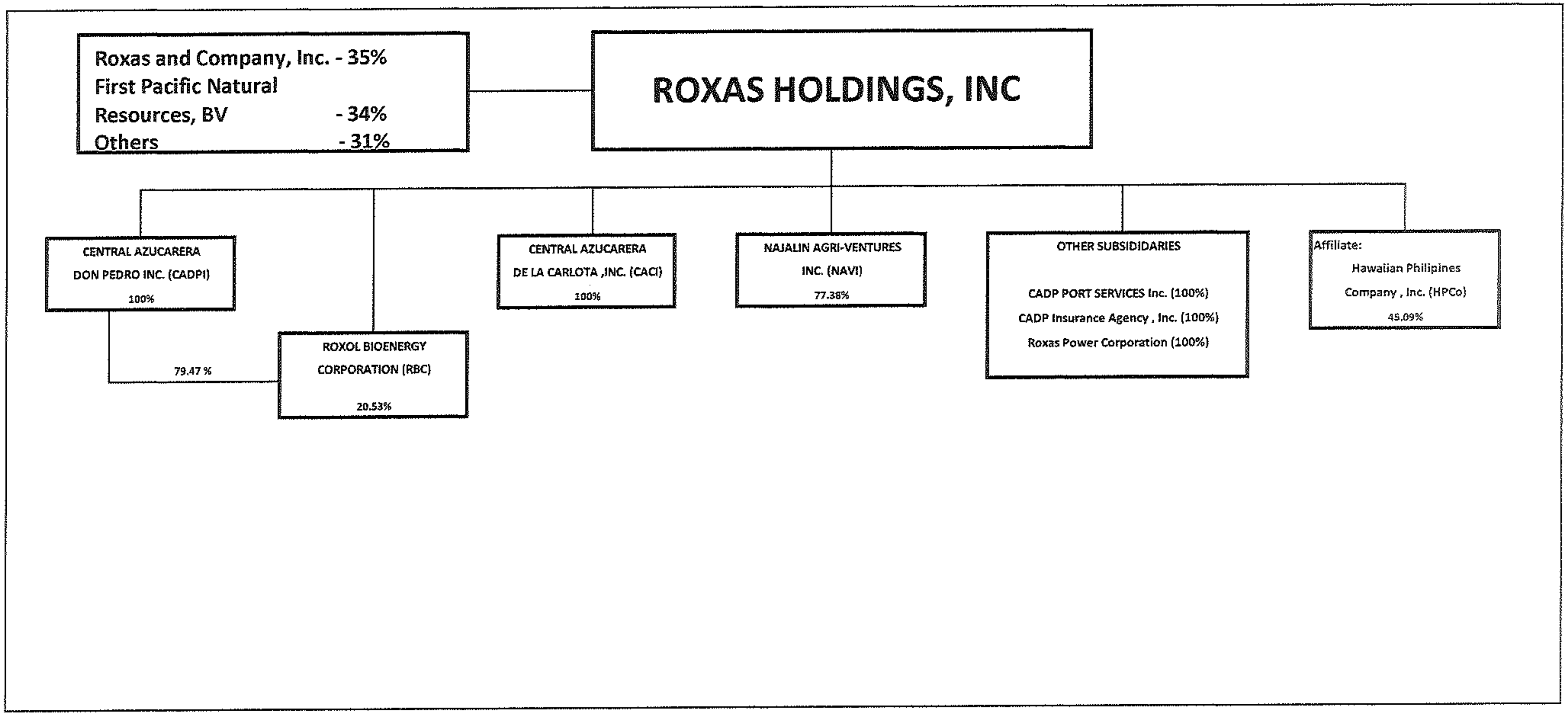
### FINANCIAL SOUNDNESS INDICATORS

**SEPTEMBER 30, 2014 and 2013**

| | 2014 | 2013 |
|---|---|---|
| **Financial Ratios required under Loan Covenants** | | |
| Debt to Equity Ratio (not more than 2.33) | 1.12 | 1.72 |
| Debt Service Coverage Ratio (at least 1.25) | | |
| Loans from Banco de Oro Unibank, Inc., Bank of the Philippine Island (BPI), Rizal Commercial Banking Corporation (RCBC) and Syndicated Loans with BPI and RCBC | 5.31 | 3.47 |
| **Others** | | |
| Return on Equity | 8.88% | 8.74% |
| Return on Asset | 4.19% | 3.21% |
| Asset-to-Equity Ratio | 2.12 | 2.72 |
| Current Ratio | 1.55 | 1.87 |
| Book Value per Share | ₱7.62 | ₱6.11 |

# ROXAS HOLDINGS, INC. AND SUBSIDIARIES

## CORPORATE STRUCTURE
## September 30, 2014



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November 12, 2012, valid until December 31, 2015
SEC Accreditation No. 0207-FR-1 (Group A)
September 6, 2013, valid until September 5, 2016

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

The Stockholders and the Board of Directors
Roxas Holdings, Inc.
6th Floor, Cacho-Gonzales Building
101 Aguirre Street, Legaspi Village
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Roxas Holdings, Inc. and Subsidiaries (the Group) as at and for the years ended September 30, 2014 and 2013 (with comparative figures for 2012), and have issued our report thereon dated December 5, 2014. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying Supplementary Schedule of Adoption of Effective Accounting Standards and Interpretations is the responsibility of the Group's management. This schedule is presented for purposes of complying with Securities Regulation Code Rule 68, as Amended, and is not part of the consolidated financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, fairly states, in all material respects, the financial data required to be set forth therein in relation to the consolidated financial statements taken as a whole.

**REYES TACANDONG & CO.**

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Makati City, Metro Manila

## ROXAS HOLDINGS, INC.AND SUBSIDIARIES

## SUPPLEMENTARY SCHEDULE OF ADOPTION OF EFFECTIVE ACCOUNTING STANDARDS AND INTERPRETATIONS

**SEPTEMBER 30, 2014**

**Philippine Financial Reporting Standards (PFRSs)**

| PFRS | Title | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| PFRS 1 | First-time Adoption of Philippine Financial Reporting Standards *[superseded by PFRS 1 (Revised)]* | | | ✓ |
| | Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate | ✓ | | |
| PFRS 1 (Revised) | First-time Adoption of Philippine Financial Reporting Standards | | | ✓ |
| | Amendments to PFRS 1: Additional Exemptions for First-time Adopters | | | ✓ |
| | Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters | | | ✓ |
| PFRS 2 | Share-based Payment | ✓ | | |
| | Amendments to PFRS 2: Vesting Conditions and Cancellations | ✓ | | |
| | Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions | | | ✓ |
| PFRS 3 (Revised) | Business Combinations | ✓ | | |
| PFRS 4 | Insurance Contracts | | | ✓ |
| | Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts | | | ✓ |
| PFRS 5 | Non-current Assets Held for Sale and Discontinued Operations | | | ✓ |
| PFRS 6 | Exploration for and Evaluation of Mineral Resources | | | ✓ |
| PFRS 7 | Financial Instruments: Disclosures | ✓ | | |
| | Amendments to PFRS 7: Transition | | | ✓ |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets | | | ✓ |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition | | | ✓ |
| | Amendments to PFRS 7: Improving Disclosures about Financial Instruments | ✓ | | |
| | Amendments to PFRS 7: Disclosures - Transfers of Financial Assets | ✓ | | |
| PFRS 8 | Operating Segments | ✓ | | |

**Philippine Accounting Standards (PASs)**

| PAS | Title | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| PAS 1 | Presentation of Financial Statements *[superseded by PAS 1 (Revised)]* | ✓ | | |
| | Amendment to PAS 1: Capital Disclosures | ✓ | | |
| PAS 1 (Revised) | Presentation of Financial Statements | ✓ | | |
| | Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation | | | ✓ |
| PAS 2 | Inventories | ✓ | | |
| PAS 7 | Cash Flow Statements | ✓ | | |
| PAS 8 | Accounting Policies, Changes in Accounting Estimates and Errors | ✓ | | |
| PAS 10 | Events after the Balance Sheet Date | ✓ | | |
| PAS 11 | Construction Contracts | | | ✓ |
| PAS 12 | Income Taxes | ✓ | | |
| PAS 14 | Segment Reporting *[superseded by PFRS 8]* | ✓ | | |
| PAS 16 | Property, Plant and Equipment | ✓ | | |
| PAS 17 | Leases | ✓ | | |
| PAS 18 | Revenue | ✓ | | |
| PAS 19 | Employee Benefits | ✓ | | |
| | Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures | ✓ | | |
| PAS 20 | Accounting for Government Grants and Disclosure of Government Assistance | | | ✓ |
| PAS 21 | The Effects of Changes in Foreign Exchange Rates | ✓ | | |
| | Amendment: Net Investment in a Foreign Operation | | | ✓ |
| PAS 23 | Borrowing Costs *[superseded by PAS 23 (Revised)]* | ✓ | | |
| PAS 23 (Revised) | Borrowing Costs | ✓ | | |
| PAS 24 | Related Party Disclosures *[superseded by PAS 24 (Revised)]* | ✓ | | |
| PAS 24 (Revised) | Related Party Disclosures | ✓ | | |
| PAS 26 | Accounting and Reporting by Retirement Benefit Plans | | | ✓ |
| PAS 27 | Consolidated and Separate Financial Statements *[superseded by PAS 27 (revised)]* | ✓ | | |
| PAS 27 (Revised) | Consolidated and Separate Financial Statements | ✓ | | |
| | Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate | ✓ | | |
| PAS 28 | Investments in Associates | ✓ | | |

| PAS | Title | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| PAS 29 | Financial Reporting in Hyperinflationary Economies | | | ✓ |
| PAS 30 | Disclosures in the Financial Statements of Banks and Similar Financial Institutions *[superseded by PFRS 7]* | | | ✓ |
| PAS 31 | Interests in Joint Ventures | | | ✓ |
| PAS 32 | Financial Instruments: Disclosure and Presentation | ✓ | | |
| | Financial Instruments: Presentation | ✓ | | |
| | Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation | | | ✓ |
| | Amendment to PAS 32: Classification of Rights Issues | | | ✓ |
| PAS 33 | Earnings per Share | ✓ | | |
| PAS 34 | Interim Financial Reporting | | | ✓ |
| PAS 36 | Impairment of Assets | ✓ | | |
| PAS 37 | Provisions, Contingent Liabilities and Contingent Assets | ✓ | | |
| PAS 38 | Intangible Assets | ✓ | | |
| PAS 39 | Financial Instruments: Recognition and Measurement | ✓ | | |
| | Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities | ✓ | | |
| | Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions | | | ✓ |
| | Amendments to PAS 39: The Fair Value Option | | | ✓ |
| | Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts | | | ✓ |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets | | | ✓ |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition | | | ✓ |
| | Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives | | | ✓ |
| | Amendment to PAS 39: Eligible Hedged Items | | | ✓ |
| PAS 40 | Investment Property | ✓ | | |
| PAS 41 | Agriculture | | | ✓ |

**PHILIPPINE INTERPRETATIONS – IFRIC**

| No. | Title | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| Philippine Interpretation IFRIC–1 | Changes in Existing Decommissioning, Restoration and Similar Liabilities | | | ✓ |
| Philippine Interpretation IFRIC–2 | Members' Share in Co-operative Entities and Similar Instruments | | | ✓ |
| Philippine Interpretation IFRIC–4 | Determining whether an Arrangement contains a Lease | ✓ | | |
| Philippine Interpretation IFRIC–5 | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds | | | ✓ |
| Philippine Interpretation IFRIC–6 | Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment | | | ✓ |
| Philippine Interpretation IFRIC–7 | Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies | | | ✓ |
| Philippine Interpretation IFRIC–9 | Reassessment of Embedded Derivatives | | | ✓ |
| | Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives | | | ✓ |
| Philippine Interpretation IFRIC–10 | Interim Financial Reporting and Impairment | | | ✓ |
| Philippine Interpretation IFRIC–12 | Service Concession Arrangements | | | ✓ |
| Philippine Interpretation IFRIC–13 | Customer Loyalty Programmes | | | ✓ |
| Philippine Interpretation IFRIC–14 | PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction | ✓ | | |
| | Amendment to Philippine Interpretation IFRIC–14, Prepayments of a Minimum Funding Requirement | | | ✓ |
| Philippine Interpretation IFRIC–16 | Hedges of a Net Investment in a Foreign Operation | | | ✓ |
| Philippine Interpretation IFRIC–17 | Distributions of Non-cash Assets to Owners | | | ✓ |

| No. | Title | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| Philippine Interpretation IFRIC–18 | Transfers of Assets from Customers | | | ✓ |
| Philippine Interpretation IFRIC–19 | Extinguishing Financial Liabilities with Equity Instruments | | | ✓ |

**PHILIPPINE INTERPRETATIONS – SIC**

| No. | Title | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| Philippine Interpretation SIC–7 | Introduction of the Euro | | | ✓ |
| Philippine Interpretation SIC–10 | Government Assistance - No Specific Relation to Operating Activities | | | ✓ |
| Philippine Interpretation SIC–12 | Consolidation - Special Purpose Entities | | | ✓ |
| | Amendment to SIC - 12: Scope of SIC 12 | | | ✓ |
| Philippine Interpretation SIC–13 | Jointly Controlled Entities - Non-Monetary Contributions by Venturers | | | ✓ |
| Philippine Interpretation SIC–15 | Operating Leases – Incentives | ✓ | | |
| Philippine Interpretation SIC–21 | Income Taxes - Recovery of Revalued Non-Depreciable Assets | ✓ | | |
| Philippine Interpretation SIC–25 | Income Taxes - Changes in the Tax Status of an Entity or its Shareholders | ✓ | | |
| Philippine Interpretation SIC–27 | Evaluating the Substance of Transactions Involving the Legal Form of a Lease | ✓ | | |
| Philippine Interpretation SIC–29 | Disclosure - Service Concession Arrangements | | | ✓ |
| Philippine Interpretation SIC–31 | Revenue - Barter Transactions Involving Advertising Services | | | ✓ |
| Philippine Interpretation SIC–32 | Intangible Assets - Web Site Costs | | | ✓ |

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**REPORT OF INDEPENDENT AUDITOR**
**ON SUPPLEMENTARY SCHEDULE**

The Stockholders and the Board of Directors
Roxas Holdings, Inc.
6th Floor, Cacho-Gonzales Building
101 Aguirre Street, Legaspi Village
Makati City

We have audited in accordance with Philippine Standards on Auditing, the separate financial statements of Roxas Holdings, Inc. as at and for the years ended September 30, 2014 and 2013 (with comparative figures for 2012), and have issued our report thereon dated December 5, 2014. Our audits were made for the purpose of forming an opinion on the separate financial statements taken as a whole. The accompanying supplementary schedule of unrestricted retained earnings available for dividend declaration for the year ended September 30, 2014 is the responsibility of the Company's management. This schedule is presented for the purpose of complying with SEC Memorandum Circular No. 11, Series of 2008 and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the separate financial statements and, in our opinion, fairly states, in all material respects, the financial data required to be set forth therein in relation to the separate financial statements taken as a whole.

**REYES TACANDONG & CO.**

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