THE RIGHT FUNDAMENTALS

ANNUAL REPORT 2015

ROXAS HOLDINGS, INC.

VISION

To be a WORLD-CLASS LEADER in sugar cane-based products and services in the Asia-Pacific region.

MISSION

TO OUR CUSTOMERS:
Provide quality sugar cane-based products and services.

TO OUR PARTNERS:
Be fair and transparent in our dealings.

TO OUR STOCKHOLDERS:
Enhance shareholder value with reasonable return on equity.

TO OUR PEOPLE:
Provide professional growth, development and recognition.

TO OUR COMMUNITIES:
Be a responsible corporate citizen.

VALUES

RELIABILITY AND RELEVANCE

RELIABILITY
We fulfil expectations and deliver our commitments with all stakeholders.

RELEVANCE
We are mindful of the constant challenges and changes affecting the environment, and address them with creative, fresh and competent solutions.

HIGH STANDARDS
We constantly set high standards and ethics in our operations and with our products, and strive to exceed them.

INTEGRITY
We consider doing business following the time-tested principles of fairness, transparency and honesty.

CONTENTS

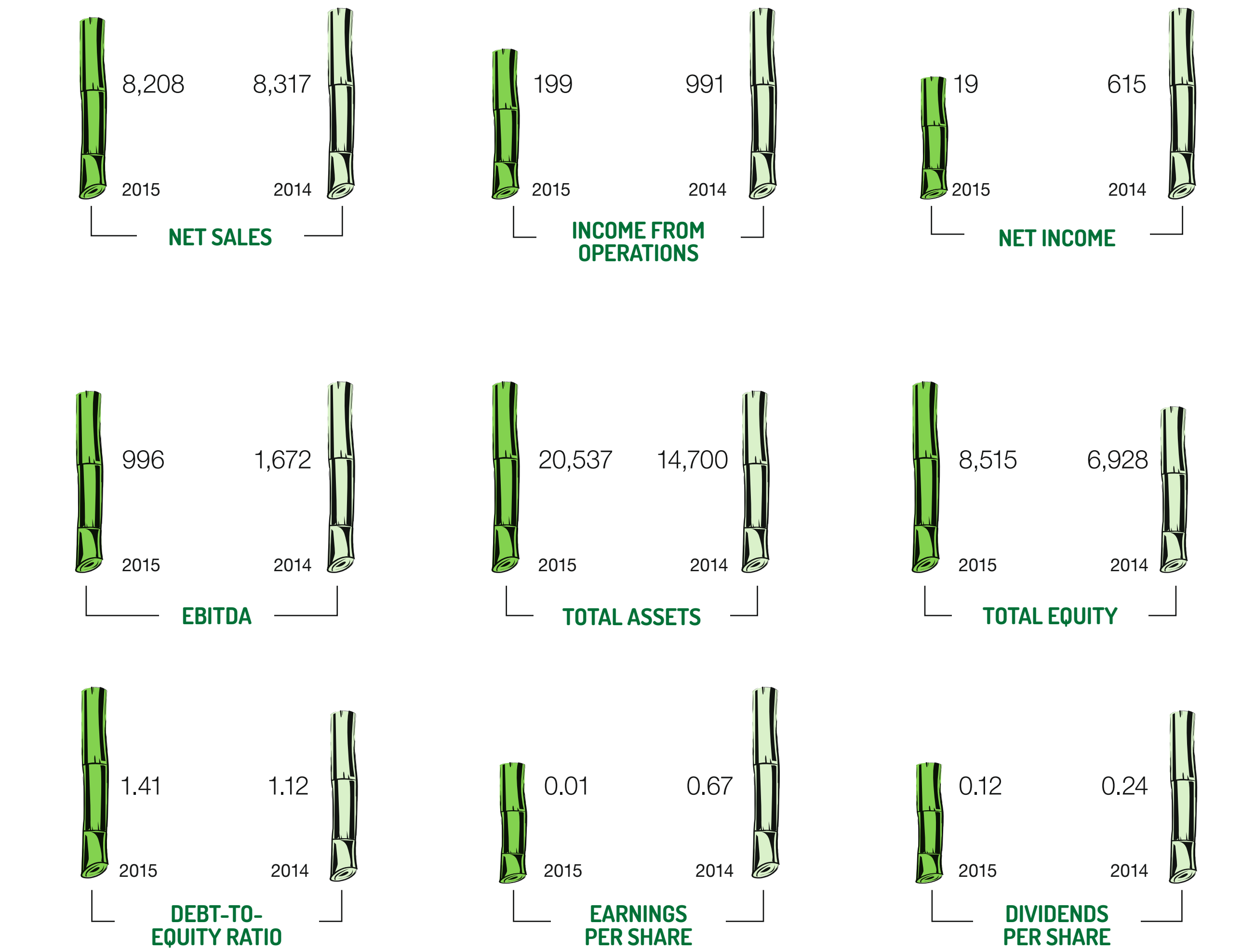
THE RIGHT FUNDAMENTALS

Roxas Holdings, Inc. clings on to right fundamentals in driving a robust and innovative strategy that draws on a solid back-to-basics mindset steeped on an unshakable set of core values.

Resilient as the sugarcane on which its businesses is anchored, RHI will stand the challenges and show itself capable of constantly renewing its aspiration for world-class operations.

FINANCIAL HIGHLIGHTS

Amounts in PhP M (Except for the last three items)



Ten-Year Financial Highlights

Amounts in PhP M *(Except for the last three items)*	2015	2014	2013	2012*	2011	2010	2009	2008	2007	2006
Net Sales	8,208	8,317	6,065	7,674	7,910	6,202	5,865	6,078	5,644	5,102
Income from Operations	199	991	1,127	1,028	-124	715	364	645	564	527
Net Income	19	615	486	701	-742	311	143	455	364	378
EBITDA	996	1,672	1,806	1,718	784	1,010	669	973	994	974
Total Assets	20,537	14,700	15,121	14,348	16,708	15,685	13,522	9,867	7,853	7,512
Total Equity	8,515	6,928	5,561	5,347	5,406	5,986	5,717	5,501	5,364	5,160
Debt-to-Equity Ratio	1.41	1.12	1.72	1.68	2.09	1.61	1.37	0.79	0.46	0.46
Earnings Per Share	0.01	0.67	0.53	0.77	-0.81	0.34	0.2	0.39	0.29	0.3
Dividends Per Share	0.12	0.24	0.06	0.04	-	-	0.06	0.06	0.05	0.06

*RHI changed its fiscal year to October-September cycle.

MESSAGE FROM THE CHAIRMAN

Dear fellow shareholders:

Fiscal year 2015 was a tough year for our company.

It was a period that shook us to the core as we faced major hurdles to rein in challenges within and outside our plants.

While the global economy experienced a slowdown in its growth to 2.4% during the period and the Philippine economy's growth rate dropped to 5.8% from 6.1% previously, the situation at Roxas Holdings was entirely challenging and pronounced as our net income after tax slid 97% to PhP19 million from PhP615 million in 2014, while our EBITDA dropped 40% from PhP1.7 billion in 2014 to PhP996 million.

Challenging environment for sugar

The substantial drop in cane supply resulting from operational issues faced by our sugar subsidiaries, Central Azucarera de la Carlota, Inc. (CACI) in Negros Occidental and Central Azucarera Don Pedro, Inc. (CADPI) in Batangas, led to significant losses in our sugar group.

CADPI's net loss widened to PhP109 million during the period, from PhP17 million in 2014 and CACI recorded PhP163 million in losses from previous year's net income of PhP186 million.

RHI's sugar subsidiaries hauled in lower volumes of sugarcane during the period, even as the El Niño phenomenon affected the productivity of the farms. The Group also had to contend with the aggressive cane supply sourcing of other mills. With low cane supply and lower quality of canes milled, sugar recoveries suffered.

The scenario was exacerbated by a host of persistent industry concerns that included a prolonged sugar surplus in the world market, the impact of the ASEAN Free Trade Area, continuously diminishing farm areas and soaring production costs.

Indeed, it was a sad state of affairs but the baffling impact of the challenges have taught us to be more pro-active and agile both at the plant level and externally, particularly in terms of engaging our stakeholders — foremost of which are our planters and industry partners.

Rising from that painful phase, RHI has acted on the issues by channeling in PhP700 million for plant repairs and upgrades, and constantly communicating with our planters-partners to understand their concerns and collaborate with them for the continuous and stable supply of canes.

Meanwhile, the results of the operations of our affiliate Hawaiian-Philippine Company (HPCo) in Silay, Negros Occidental partly mitigated the losses of our two sugar plants. Our investment at HPCo has steadily showed excellent results. We are optimistic that the operations of HPCo will continue to improve.

Positive results for alcohol

Despite the slump in our sugar business, we take pride in the results of our ethanol business, which fuelled growth for the Group during this difficult period.

RHI, being the country's biggest ethanol producer with the combined capacities of Roxol Bioenergy Corporation (RBC) and newly-acquired San Carlos Bioenergy, Inc. (SCBI), produced 49.96 million liters of ethanol during the period — 55% higher than the 32.19 million liters in 2014. The yield of RBC in 2015 also soared 6% to 270 liters per metric ton of molasses from 256 liters.

RBC's net income after tax for the period was PhP215 million, slightly lower than previous year's PhP220 million. SCBI, where RHI holds 93.68% stake through subsidiary Roxas Pacific Bioenergy Corporation (RPBC), posted net income after tax of PhP122 million from May to September.

The strategic investment of RHI into SCBI was completed in April 2015 — with the purchase of 64.02% shares from Menarco Clean Energy, Inc. of the Jimenezes, following the acquisition of 26.7% from the Zabaletas and 2.96% from the Valmayors.

The right fundamentals

The year did not turn out well for RHI but we have many things to be grateful for.

With the experience, we learned that having the right fundamentals – such as the decisiveness to act wisely and the strength to go against the wave and be a game-changer – is so critical in order to survive and succeed. Having the right perspective and the fortitude to stand even in the midst of disheartening events and glaring failure will see us through the dark times.

Looking back, RHI started on a positive note with two research and development agreements

"...we learned that having the right fundamentals – such as the decisiveness to act wisely and the strength to go against the wave and be a game-changer – is so critical in order to survive and succeed."

MESSAGE FROM THE CHAIRMAN

Thriving ethanol businesses. RHI is considered the country's biggest ethanol producer with Roxol Bioenergy Corp. (*top photo*) and San Carlos Bioenergy Corporation.

with the University of the Philippines Los Baños and University of St. La Salle – Bacolod. We also had a series of roadshows in Batangas and Negros to align our business units with the Group's direction.

We increased our equity by 25% to PhP8.63 billion from PhP6.93 billion last February 2015 through the sale of treasury shares to First Agri Holdings Corp. (FAHC) of First Pacific Company Ltd., which later enabled the Group to acquire SCBI.

It was also during this same period that RHI, in partnership with Global Business Power Corp. — the power generation arm of GT Capital Holdings, Inc., awarded the Front-End Engineering Design (FEED) contract to Pöyry — a global Finnish consulting and engineering company that conducted the feasibility study on the co-generation project in 2014. The FEED contract, which covers the detailed study of the technical requirements and investment cost of the project, reaffirms RHI's commitment to provide a stable and alternative option to the growing concern on the Philippine power and energy situation.

Through all that happened, we have shown that RHI is an organization that is reliable and relevant, has high standards, and operates with integrity.

Indeed, it is encouraging to see that we have emerged stronger, with a firmer resolve and a wider perspective, after weathering the storm that beset RHI in the past year.

We are more prepared to inculcate change and face the challenges, especially with the appointment of a new Management Team; and steer a major shift in our focus to further improve operational performance, enhance cost efficiency, and increase cane supply.

We can also rest assured that the new Team RHI, led by a staunch sugar industry veteran, will guide the Company to new and exciting frontiers with the unwavering support of our Board of Directors and Management.

A promising future dawns for RHI. Made wiser and stronger by the challenges of 2015, let us continue working to advance RHI's interest at all fronts to bring about exceptional shareholder value.

Lastly, my deepest thanks go to my fellow shareholders for believing in RHI and for staying with us through the rough weather; to the Board of Directors, for your decisive and unwavering guidance; and to the Management Team, for persevering during the tough and difficult period.

PEDRO E. ROXAS
Chairman

MESSAGE FROM THE PRESIDENT & CEO

Dear fellow shareholders:

It is time for us to move on from the gloomy results of the past year and work together for a better and stronger Roxas Holdings, Inc. Though "a promising future dawns for RHI", it cannot happen overnight. We need your unwavering support and confidence to fulfill our goals and objectives as we work on our strengths and address our weaknesses.

Management had identified and accepted the various concerns that seemed initially trivial but which clearly inflicted a devastating effect to the Company. Gleaning from the lessons of the past, RHI is implementing a proactive approach to overcome and address these issues.

" ...RHI is implementing a proactive approach to overcome and address these issues."

Weighing in the operational issues

Efficiencies in our Central Azucarera de la Carlota, Inc. (CACI) in Negros Occidental and Central Azucarera Don Pedro, Inc. (CADPI) in Batangas, costly competition for cane supply, and deteriorating relationships with planters, among others, were the operational issues that stunted the performance of our two sugar mills last year.

Our Batangas and Negros planters were dissatisfied with the efficiencies of both sugar mills. Furthermore, eastern Batangas planters expressed their protest and disagreement to previous Management policies by bringing their canes somewhere else. The Negros planters also brought their canes to other mills as a result of competitors' strong cane campaign and to show their intense opposition to the views espoused by Management.

These scenarios in both sugar mills exposed RHI's critical need to be operationally efficient and excellent — underscoring an incessant need for Management to nurture healthy win-win relationships with our planters-partners, one that cultivates transparency without compromising integrity.

RHI will be moving swiftly but judiciously on these concerns by rolling out immediate measures. First and foremost will be timely allocation of our resources to improve and upgrade various equipment and processes in our sugar mills that will enhance efficiencies, reduce downtimes and bottlenecks, and thereby, ultimately increasing throughput and reducing unit production costs. Coupled with this is the strengthening of RHI's technical team and structure on the two mills, which had been affected by a corporate retrenchment program and attrition. We believe that our improved efficiency will serve as the best advertisement to market our services to our partners-planters and customers.

RHI's sugar mills are focused on rising from previous year's challenges.

Planter relationships will be improved and strengthened through constant communication and mutually beneficial and judicious initiatives established with them. Understanding their needs and properly communicating ours for a better long-term partnership and collaboration will also gain back planters' confidence in RHI. These actions, complemented by a well designed and cost-effective cane campaign program, will enable us to consequently win back market share.

Around mid-term, Management will also conduct a more structured and pro-active planning to better face the continuous challenges and threats from the tightening global situation and challenging domestic competition. This will also enable us to formulate strategic corporate directions that will further support and strengthen RHI in meeting the pressing issues in its subsidiaries.

We are also engaging research and development partnerships with leading universities to explore more possibilities out of the sugar industry, in general, and to maximize the benefits derived from sugarcane, in particular.

Better results and bolder moves

As we turn our focus on these fronts and look into better ways of advancing RHI's vision to become a world-class leader in sugarcane-based products and services, we are convinced that with the right discipline, proper perspective and timely action, and with a cautious optimism on our sugar business, we will be able to nurture our Company back to its rightful place in the industry. We are confident that our ethanol business, with Roxol Bioenergy Corp. (RBC) and San Carlos Bioenergy, Inc. (SCBI) at the forefront, will continue to grow and fuel more initiatives. Our power cogeneration project will also be gaining ground and hopefully, be fully operational in a couple of years.

Taking stock of what happened and where we are, RHI is recalibrating its sensors and is taking bolder moves to challenge the norm and blaze a trail. We have set our sights on sugar, ethanol, co-generation and other ventures, and we will not rest until we have fully exhausted the benefits of sugarcane for the good of the company, its communities, and the industry.

Tighter collaboration

Collaboration is so important as we implement our strategies moving forward.

The solid relationships of our parent First Pacific Company Limited widen our horizons and allow us to explore possibilities and engage more partners in rediscovering sugarcane and its related by-products – entailing an involvement that goes beyond the usual parameters. Our collaboration should be all-encompassing such that RHI eventually gets recognized as an industry mover with values anchored on the tenets of reliability and relevance, high standards and integrity. As such, your utmost support in all these undertakings will spell the difference.

To our Board of Directors, our stockholders, and all our other stakeholders, thank you for your support to, and strong trust in, Team RHI which will continue the march with even greater energy and focus as we shape a better future with the Company.

HUBERT D. TUBIO
President & Chief Executive Officer*

**Effective January 2016*

“...we will not rest until we have fully exhausted the benefits of sugarcane for the good of the company, its communities, and the industry.”

“...we are looking forward to recapture back the lost market share and promote an improvement in our production volume next crop season.”

OPERATIONAL HIGHLIGHTS

CADPI

Raw sugar production dropped by 14% from 2.51 million bags to 2.17 million due to 15% drop in cane volume from 1.38 million tons last year to 1.16 million tons, although recovery increased from 1.83 Lkg/TC to 1.86 Lkg/TC.

The improvement in recovery is due primarily on the proper timing of milling to cane maturity (2% increase for CADPI vs 1% increase for the entire South Luzon), but this was not enough to soften the impact of the volume drop. A total of about 200 hours of stoppage due to lack of cane was incurred. The mill was also beset with stoppages during the latter part of operations due to mechanical breakdowns at the factory, which were addressed during the off- season.

Cane volume in Batangas dropped by 10% from 1.82M MT to 1.64M MT. CADPI's share dropped by 4% from 75% last year to 71% primarily due to the move of the Eastern Batangas planters who purposely did not deliver canes to CADPI in spite of better recoveries and better sugar price as they were demanding for a higher sharing scheme. The agreement that increased sharing from 65% to 67% only came in March when a total of about 200,000 MT cane was already lost.

To address the concerns of planters, factory enhancement projects, like the conversion of the evaporator sets into two five-effect set-up and the rehabilitation of boilers with the replacement of problematic tubes, were done during off-season. Both stations (Boilers and Boiling House) have caused about 80% of the total operational delays last year.

We are looking forward to recapture back the lost market share and promote an improvement in our production volume next crop season with the resolution of the issue on sharing scheme and continuing dialogues we have with planters.

Refined sugar production increased by 37% from 2.06M Lkg to 2.82M Lkg in spite of the late start of refining as we waited for sufficient inventories on raw and biomass to sustain refinery operations. However, these only came in mid-January. Our yield also increased by 2% from 91% last year to 93%.

On the issue of biomass, refining operations resorted to the blend of bunker fuel when its cost dropped to almost that of equivalent bagasse volume, in order to save on biomass that fueled the refinery when milling operation ended in May. Other biomass fuels like napier was also used to augment the limited bagasse sources. Napier grass is now seriously being promoted by RHI's Agri-Business Development Corporation to the planters as secondary crop to sugarcane, especially for the idle lands in the areas of Batangas and Cavite.

Central Azucarera Don Pedro, Inc.

CACI

Raw sugar production dropped by 20% from 3.73M Lkg to 2.98M Lkg due to 21% drop in cane volume from 1.87M MT to 1.49M MT. Recovery slightly improved from 1.99 Lkg/TC to 2.01 Lkg/TC.

CACI started late compared to other mills in Negros Occidental which partly accounted for the drop in production. But the biggest cause for the drop in volume is the diversion of canes of big planters to other mills that are more efficient in terms of sugar recovery. The factory upgrade done during the off-season that included the installation of a fully–automated continuous vacuum pan, the upgrading of the two evaporators from four-effect to five-effect set-up, and the upgrading of Farrel Mill in order to improve sugar recoveries, addressed the concerns of planters.

Cane volume in Negros Occidental province dropped by 10% and to deal head-on with the cutthroat competition for canes, CACI put up transloading stations in different strategic locations. These transloading stations now account for about 20% of the total CACI cane volume.

CACI also undertook a PhP20 million road rehabilitation/expansion work in order to develop an alternative route that would necessitate the entry of cane trucks coming from some southern sources.

Average yield for the province dropped from 2.04 Lkg/TC last year to 2.02 Lkg/TC this year. While most of the provincial mills experienced a drop in yield, CACI and two other mills bucked the trend.

Hundreds of trucks queue at Central Azucarera de la Carlota, Inc. to haul in sugarcanes ready to be milled.

"CACI also undertook a PhP20 million road rehabilitation/ expansion work in order to develop an alternative route."

RBC

Roxol Bioenergy Corporation continued to outdo its performance last year with 26% increase in ethanol production from last year's 32.19M liters to 40.52M liters. Ethanol from molasses accounts for 66% of its total production, with the remaining 34% from dehydration of outside-tolled rectified spirit (RS).

To counter the threat for limited source of rectified spirit in the next couple of years, RBC started expanding its distillery capacity from 100,000 liters of ethanol per day from in-house molasses fermentation to 150,000 liters/day in order to maintain its market leadership even without resorting to additional ethanol volume from RS dehydration. The expansion project is due for completion early next crop year.

SCBI

San Carlos Bioenergy Corporation contributed an additional 9.44M liters of ethanol to the enterprise ethanol production since its acquisition in May 2015. Ethanol production came from two feedstock sources, molasses (86%) and cane syrup (14%). Average yield was 233 liters/ton of combined feedstock.

Similar to RBC, SCBI also started its distillery expansion project that would put its capacity in equal footing with Roxol's 150,000 liters ethanol from combined molasses and cane syrup. The new expanded capacity would also be due for completion early next crop year.

ARCADIO S. LOZADA, JR.
EVP – Operations
CADPI President/COO

GOVERNANCE & SUSTAINABILITY

Corporate Governance

Corporate Governance safeguards the interests of the company, the Board of Directors, the shareholders — especially the minority shareholders, and the other stakeholders.

RHI is working towards complying with, and integrating, the core principles of Corporate Governance. The company has adopted policies, practices and programs that will allow RHI to cement key governance principles being espoused by the Organisation for Economic Cooperation and Development, namely: a) rights of shareholders, b) equitable treatment of shareholders, c) role of stakeholders in corporate governance, d) disclosure and transparency, and e) responsibilities of the Board.

Principle no. 1: Rights of shareholders

RHI ensures that the shareholders' rights are protected and facilitated. Article 7 of the company's Revised Manual on Corporate Governance identifies Stockholders' Rights and Protection of Minority Stockholders' Interests. Shareholders' rights are as follows: a) voting, b) pre-emptive, c) power of inspection, d) right to information, e) dividends, and f) appraisal.

The Board of Directors has the duty to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation.

Principle no. 2: Equitable treatment of shareholders

RHI is fair in its dealings with its shareholders — regardless of age, gender, status and number of shares. The same rights and privileges are accorded to all shareholders and due consideration is provided especially to minority shareholders.

Although all shareholders shall be treated equally or without discrimination, the Board shall give minority shareholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the corporation. More so, the company guards the interests of shareholders with the following: a) monitoring of inside information, b) adoption of RHI Trading Policy (for trade restriction), and c) monitoring of conflict of interest.

Principle no. 3: Role of stakeholders in corporate governance

RHI recognises the rights of stakeholders. It has adopted policies and practices that promote: a) customer welfare, b) proper supplier/contractor selection practice, c) environmentally-friendly value chain, d) greater community interaction, e) employee training and welfare initiatives, and f) anti-corruption programs and procedures.

Principle no. 4: Disclosure and transparency

RHI is committed in ensuring that disclosures are timely and adequate. All material information about the corporation which could adversely affect its viability or the interest of the stockholders shall be disclosed to the public on time.

The following are channels with which RHI informs the public of developments: 1. company disclosures to the Philippine Stock Exchange, Inc. and which are published in its website: *www.roxasholdings.com.ph*; 2. press releases; 3. investor briefings; 4. annual stockholders' meeting; 5. press conferences; and 6. investor and analyst briefings.

Principle no. 5: Responsibilities of the Board

The Board of Directors has a responsibility to foster the long-term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate goals and objectives.

The Board — collectively and through its committees — performs key functions such as: a) review of and guidance on corporate strategy, b) monitoring of governance practices, c) succession planning, and selection and compensation of executives, d) nomination and election processes, e) management of conflict of interest, and f) quality check on reported information and disclosures, among others.

Board Meetings and Attendance of Directors

Art. 16 of the By-Laws of the company provides that the regular meeting of the Board of Directors shall be held quarterly. Additional meetings may be called for when necessary. The meetings of the Board of Directors every fiscal year have been predetermined and conveyed to the directors at the beginning of the crop year.

Dates of Board of Directors' Meetings for FY 2014-2015
December 5, 2014
February 4, 2015
May 13, 2015
August 19, 2015

Attendance from October 2014 to August 19, 2015
Total No. of Meetings = 5

BOARD OF DIRECTORS

BOD	2014 Dec 5	2015 Feb 4	2015 Feb 18	2015 May 13	2015 Aug 19	TOTAL
Pedro E. Roxas	✓	✓	✓	✓	✓	5
Manuel V. Pangilinan	✓		✓		✓	3
Renato C. Valencia	✓	✓	✓	✓	✓	5
Santiago R. Elizalde	✓	✓	✓	✓		4
Carlos R. Elizalde	✓	✓	✓			3
Atty. Ray C. Espinosa		✓	✓	✓	✓	4
Atty. Alex Erlito S. Fider	✓	✓	✓	✓	✓	5
Geronimo C. Estacio	✓	✓		✓	✓	4
David L. Balangue	✓	✓	✓	✓	✓	5
Christopher H. Young					✓	1

Total No. of Meetings = 8

AUDIT COMM

AUDITCOM	2014 Nov 26	2015 Dec 3	2015 Jan 28	2015 Apr 29	2015 Jul 30	2015 Oct 23	2015 Oct 30	2015 Nov 20	TOTAL
Geronimo C. Estacio	✓	✓	✓	✓	✓	✓	✓	✓	8
David L. Balangue	✓	✓	✓	✓	✓	✓	✓	✓	8
Atty. Alex Erlito S. Fider	✓	✓	✓	✓	✓	✓	✓	✓	8

ADC-leased and managed farm in San Ricardo, Negros Occidental.

FROM TOP Mechanical harvester in Barangay Carmen, Pontevedra, Negros Occidental; Harvester with a tipping trailer.

Sustainable cane supply through improved farm productivity

The last two crop years have been challenging for both CADPI and CACI in terms of cane deliveries. Thus, in the first quarter of 2015, the Management created the RHI Agri-Business Development Corporation (RHI-ADC) to help address the issue. Its objectives are to improve farm productivity in the milling districts, increase the volume of canes delivered to RHI mills, and create new revenue streams.

RHI ADC has mapped out strategies that would hopefully achieve its objectives. These include the establishment of model demonstration farms, distribution of planting materials for High-Yielding Varieties (HYV), provision of farm equipment and implements, financing for operations of farms, and provision of technical advice and assistance to farmers. To implement these strategies, RHI operates through two (2) business units: Farm Services and Farm Operations.

Farm services

Around 75% of farms in the Philippines are five hectares and below. Owners of these farms cannot afford to buy machineries and implements to cultivate their farms. Labor is becoming scarce as workers divert to more remunerative and less strenuous jobs than the seasonal, physically exhausting labor of cane farming and harvesting. RHI ADC sees all these as an opportunity to reach out to the farmers by providing farm equipment services. As of date, four harvesters have already been operating in the farms of Batangas and Negros; one grab loader has arrived in Nasugbu, Batangas; and a pool of tractors has been preparing our controlled farms for planting and growing sugarcane.

Farm mechanization is a leap of faith for RHI ADC. It bought one unit of mechanical harvester early last year even with the knowledge that farms are not prepared for such. Furrow distance, the presence of stones and canals, headland, and terrain, among others, are some of the things to consider when operating a mechanical harvester. It was tested for a month in Negros and the results were promising. Three additional harvesters arrived this year. RHI ADC is confident that the farmers will slowly realize the advantage of farm mechanization and will, therefore, take it upon themselves to prepare their farms accordingly. Somebody has to start somewhere and ADC initiated it.

Some of the tractors that have been idle for years in the garage have been used to prepare our farms for planting. Further, RHI ADC started renting out the harvesters and tractors to farmers at cost comparative to manual labor, with the provision that all the farms served will send their canes to our mills. All these, though small, are essential ingredients to improving farm productivity.

Farm operations

Another unit of RHI ADC is Farm Operations. Right now, RHI ADC has different partnership schemes. Depending on the requirement of the business partner, and on what is suitable for the partnership to prosper, different schemes are used.

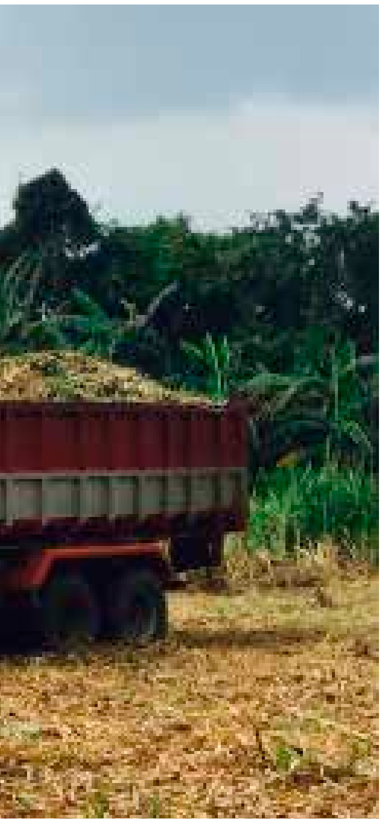
For Company-owned or leased farms, they can be managed and operated directly by ADC or through a partner, either a business entity or an individual. ADC finances the entire operation. Operationally, ADC assigns the operation of the farms to the partner or contract grower, who will take care of everything in running the business. ADC just provides the funds, monitors the progress of the operations, and ensures that conditions of the partnership are followed. The partner will be given a share of income for managing the business.

Another popular scheme is the owner-managed, RHI-funded and supervised scheme where the business partner is the owner of the land. The partner manages the day-to-day operations while ADC provides the working capital to grow the sugarcane. The canes will be milled with RHI. The net income will be shared between the partners based on the contract.

Under each of the different schemes of farm operations, the contract states that all canes will be delivered to RHI mills.

RHI ADC is slowly taking off. To date, it has about 300 hectares of farms. It started leasing farms half a year ago. Following projections, RHI ADC will directly influence the increase in farm productivity to 5,000 hectares over the first five years. It is expected that the activities of RHI ADC will also indirectly encourage all planters to improve farm productivity.

FROM TOP Mechanical harvester in Tuy, Batangas; Newly planted canes in an ADC-managed farm in Nasugbu, Batangas.



Corporate social responsibility

At the heart of the company's philosophy anchored on Reliability and Relevance, High Standards and Integrity, is corporate social responsibility. The company is committed to develop its communities and take care of its stakeholders while working towards its goal to be a globally-competitive industry player.

The company's Corporate Social Responsibility framework is anchored on ISO26000, which defined the seven core subjects of CSR, namely: (1) organizational governance, (2) human rights, (3) good labor practices, (4) environment, (5) fair operating practice, (6) consumer welfare, and (7) community involvement. The CSR Department, together with Roxas Foundation, Inc., implement and manage the CSR initiatives of the company. Below are the CSR events of RHI for the past year.

RHI partners with MAP on EMERGE

With the commitment to uplift the lives of its stakeholders, specifically the communities where it operates, RHI partners with the Management Association of the Philippines (MAP) on its Educated Marginalized Entrepreneurs Resource Generation Program (EMERGE), an inclusive growth project focused on job generation.

The program seeks to tap leaders (active or retired) from Philippine businesses, civil society, academe and government agencies who are willing to provide free expert assistance in business management, particularly in the areas that are critical to the profitability and sustainability of the project or business. It aims to assist the entrepreneurial poor, who are high school graduates with technical or vocational training or exposure, marginal farmers, the retired government employees, the families of uniformed personnel and the returning OFWs who would like to go into projects or businesses which have big potential for growth and job generation.

Last July 18, 2015, RHI, together with the leaders from MAP, launched the EMERGE Program in Nasugbu, Batangas. Target beneficiaries are farmers in Batangas who own marginal and/or idle lands. The objective is to find a viable and sustainable way to engage low-income farmers into the company's operations in a way that creates mutual benefits both for RHI and the farmers. Specifically, it aims to increase the income of the low-earning cane farmers, while at the same time, creating multiple benefits for the company by increasing market share and strengthening supply chain.

The objectives will be achieved through a series of mentoring and coaching activities, including values formation, technical sessions on good farming practices, and basic agribusiness models and strategies. These activities will be facilitated by the leaders and experts from both MAP and RHI. Furthermore, the CSR department also takes into consideration other social issues, including farm–to–mill access roads, by closely working with the local government units and other individuals and/or organizations who are willing to take part in these noble social responsibility initiatives.

LEFT MAP EMERGE beneficiaries during a briefing.

RHI sponsors PAGASA El Niño Briefing for sugar cane planters

Publicly-listed firm Roxas Holdings, Inc. (RHI), in cooperation with the Philippine Atmospheric, Geophysical and Astronomical Services Administration (PAGASA), sponsored a half-day briefing last September 17, 2015 in Nasugbu, Batangas, on the impending El Niño Phenomenon forecasted to hit the country from October 2015 to February 2016. PAGASA Senior Weather Specialist Anthony Joseph Lucero described the event as one of the most severe since the 1950s, with an expected rainfall reduction by as much as 60 percent in the next five months, affecting RHI host provinces Batangas and Negros Occidental. Farmers and planters' associations were advised to make necessary preparations for the potential adverse effects of El Niño.

RFI receives USAID Grant

Roxas Foundation, Inc. (RFI), the social arm of Roxas Holdings, Inc., was recently awarded with a grant by the United States Agency for International Development (USAID) for its community project, "Turning A New Leaf: Threads and Weaving From Sugarcane."

The grant will be used by RFI to help fund a pioneering technology that will extract fiber from sugarcane stalks and convert them into more useful thread and weaving textile. The textile can then be used to produce indigenous and environment-friendly materials that will help augment the income of the foundation's communities in Batangas and Negros Occidental during off-season of farming activities.

RFI president Bea O. Roxas signed the contract with USAID mission director for the Philippines Gloria Steele and Gerry Roxas Foundation executive director Rosamund Parado at a special reception held at the Sining Saysay Gallery last August 6, 2015. The project implementation began in August 2015 and will conclude in September 2017.

RFI is one of the twelve (12) grantees of the USAID's US$24 million Philippine-American Fund, a grant facility managed by the Gerry Roxas Foundation and institutional partner SGV&Co.

RFI, Coca-Cola partner for sports program

Last October 3, 2015, Roxas Foundation, Inc. partnered with Coca-Cola FEMSA (Fomento Economico Mexicano S.A.B. de CV) for the Real Madrid Foundation's Social Sports School which aims to provide effective football training to students from the communities of Roxas Holdings Inc. in La Carlota City, Negros Occidental. RFI President Beatriz Roxas said, "the program is an intervention designed for school children to learn how to play football and at the same time, [serves as a vehicle in] nurturing positive values for holistic development."

Real Madrid Foundation's Social Sports School in partnership with RFI and Coca-Cola.

BOARD OF DIRECTORS

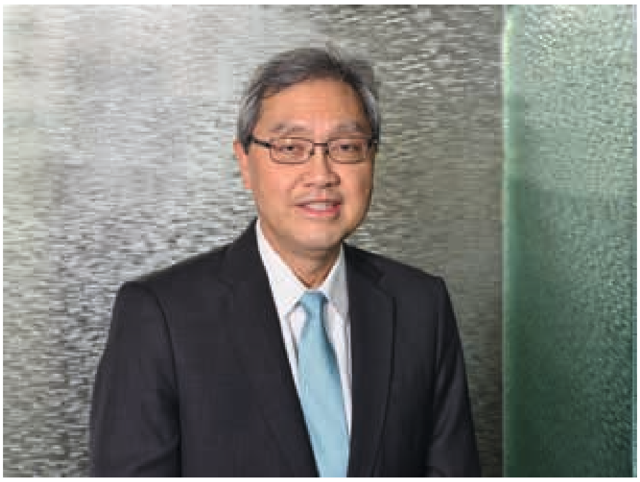
PEDRO E. ROXAS
Chairman

MANUEL V. PANGILINAN
Vice Chairman

HUBERT D. TUBIO
Director

ATTY. RAY C. ESPINOSA
Director

SANTIAGO R. ELIZALDE
Director



ATTY. ALEX ERLITO S. FIDER
Director

BOARD OF DIRECTORS

CHRISTOPHER H. YOUNG
Director

GERONIMO C. ESCTACIO
Independent Director

DAVID L. BALANGUE
Independent Director

ATTY. GEMMA M. SANTOS
Corporate Secretary

PEDRO E. ROXAS
Chairman

59 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 operating subsidiaries of the company, namely: Central Azucarera Don Pedro, Inc. (CADPI), Central Azucarera de la Carlota, Inc. (CACI), Roxol Bioenergy Corporation (RBC), San Carlos Bioenergy, Inc. (SCBI) and RHI Agribusiness Development Corporation (RHI-ADC). Mr. Roxas is likewise the Executive Chairman and the President & CEO of Roxas & Co., Inc.; Chairman of Hawaiian-Philippine Company, and Club Punta Fuego Inc.; President of Fundacion Santiago; Chairman of the Philippine Sugar Millers Association, Inc.; an Independent Director of Philippine Long Distance Telephone Company (PLDT), the Manila Electric Company (Meralco) and Banco de Oro (BDO) Private Bank; Director of Brightnote Assets Corporation; and a Trustee of the Philippine Business for Social Progress. Mr. Roxas was educated at Portsmouth Abbey School, Rhode Island, USA and at the University of Notre Dame in Indiana, USA where he obtained his degree in Business Administration.

MANUEL V. PANGILINAN
Vice Chariman

69 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 Executive Compensation Committee. Mr. Pangilinan founded First Pacific Company Limited in 1981 and served as its Managing Director until 1999. He was appointed Executive Chairman until June 2003, when he was named 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, Philex Petroleum Corporation and Manila North 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 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. He is also the 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. Mr. Pangilinan was also 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), and 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*. Mr. Pangilinan also 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 Cagayan de Oro 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 obtained his Master's degree in Business Administration from Wharton School of Finance and Commerce, University of Pennsylvania, Philadelphia, USA.

HUBERT D. TUBIO
Director

61 years old and is a Filipino. He was elected as a member of the Board of Directors and as President & Chief Executive Officer of the company on 16 December 2015. Mr. Tubio was the Chairman of the Board of Directors of Bioeq Energy Holdings, Inc., a vertically integrated bioenergy company; and a member of the Board of Directors of Negros College, Inc. He served as President and Chief Operating Officer of Victorias Milling Co., Inc. from 2009 to 2014 and also worked for Globe Telecom, Jardine Davies, Consultancy by Technicus Corporation — a subsidiary of Deutsche Telekom A.G. of Germany, and PAL Holdings, Inc. Mr. Tubio is a Certified Public Accountant (CPA). A consistent university scholar, he graduated Cum Laude with a degree in Bachelor of Science in Business Administration (BSBA), Major in Accounting, from the University of the East. He ranked 10th in the Philippine CPA Board Examinations conducted in October 1975. He is also recognised as the "Most Exalted Alphan" of Tau Alpha Sigma — an exclusive fraternity for Accounting Honors, at the University of the East, Manila, in 1972. He also belongs to the Top 10% of the 36th Management Development Program of the Asian Institute of Management in 1991 with Superior Performance Award. Mr. Tubio is also an Awardee of the University of the East — Business Management's Diamond Jubilee Alumni Achievers' Award in 2006. He attended the Deutsche Telekom Global Event in Bonn, Germany in January 2002; and served as JDI Corporate Observation Group Leader for the team that visited the Louisiana Sugar Industry, at Lafayette, Patouville and New Orleans, Louisiana, and Hawaiian Sugar Industry in Maui, Hawaii, USA in November 1997. He also attended the International Society of Sugar Cane Technologists (ISSCT) Congress in Cali and Cartagena, Colombia, South America in September 1995; and the Sugar Production and Processes Hands-On Technical Training of Moreton Sugar Company, Ltd. (Bundaberg Sugar Group) in Queensland, Australia from July to August 1993.

ATTY. RAY C. ESPINOSA
Director

59 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 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 at SyCip Salazar Hernandez & Gatmaitan, the largest law firm in the Philippines, until June 2000, 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.

BOARD OF DIRECTORS

SANTIAGO R. ELIZALDE
Director

51 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 & CEO of Roxaco Land Corporation, President of CGB Condominium Corporation and Fuego Hotels and Management Corporation, Chairman of Roxas Foundation, Inc., and a Director of 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.

ATTY. ALEX ERLITO S. FIDER
Director

62 years old and is a Filipino. He was elected to the Board of Directors on 3 December 2013. Atty. Fider graduated from the University of the Philippines with degrees in Economics and Law. He was admitted to the Philippine Bar in 1985 and undertook specialized courses in Strategic Economics and Corporate Governance in the Philippines and Australia, respectively. His legal experience spans over thirty (30) 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.

CHRISTOPHER H. YOUNG
Director

57 years old and is a British citizen. He was elected as a member of the Board of Directors on 13 May 2015 and as a member of the Audit & Risk Committee on 19 August 2015. He is presently the Chief Financial Officer of First Pacific Company Limited, a Hong Kong-based investment management and holding company with operations in the Asia Pacific. He was a Director and Chief Financial Advisor and Head of the PLDT Finance Group. Mr. Young was also formerly the Finance Director of the Metro Pacific Corporation, the group Financial Controller of First Pacific Company Limited and a Senior Audit Manager of Price Waterhouse in Hong Kong. He is a member of the Institute of Chartered Accountants in England and Wales since 1982.

GERONIMO C. ESTACIO
Independent Director

70 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 a non-executive 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 the company. Mr. Estacio has not been nominated for election as an independent director.

DAVID L. BALANGUE
Independent Director

64 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 is an accounting and auditing professional whose career spanned 38 years at SGV & Co., the Philippines' largest audit and accounting professional services firm. He is a former Chairman & Managing Partner of the Firm, after being admitted to partnership in 1982. Mr. Balangue holds a Bachelor's Degree in Commerce, major in Accounting, Magna Cum Laude, from Manuel L. Quezon University and a Master of Management degree, with distinction, from the Kellogg Graduate School of Management of Northwestern University in Evanston, Illinois, USA, as an SGV scholar where he received a Distinguished Scholar Award and elected to the Beta Gamma Sigma, an exclusive honors fraternity. He placed second highest in the 1972 Philippine CPA Board Examinations.

He served as President of the Manila Polo Club, Inc. (2014-2015); Financial Executives Institute of the Philippines (2006); Philippine Institute of Certified Public Accountants (2005); and Management Association of the Philippines (2004).

At present, he is Chairman of NAMFREL, the Philippine Center for Population and Development, Inc. (since 2014) and Coalition Against Corruption (since 2006); Member of the Board of Trustees of Habitat for Humanity Philippine Foundation, Inc. (since 2012); Chairman/President of Makati Commercial Estate Association, Inc. (since May 2010); President of Makati Parking Authority (since 2012); and Chairman of the Philippine Financial Reporting Standards Council (since February 2010). He is a non-executive/independent director of the following listed companies: Trans-Asia Oil and Energy Development Corp., Philippine Bank of Communications, Manufacturers Life Insurance Company and Holcim Philippines, Inc. Mr. Balangue is also a non-executive Independent Director of the company and 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 the company. Mr. Balangue has a regular column at the *Philippine Daily Inquirer.* He is married to Arlene Tan Balangue.

ATTY. GEMMA M. SANTOS
Corporate Secretary

53 years old and is a Filipino. She is the Corporate Secretary of the company since 19 February 2014. She serves as Corporate Secretary of various corporations, including publicly listed companies such as the Max's Group, Inc., SSI Group, Inc. and Vista Land & Lifescapes, Inc. Atty. Santos is also a Director of the Philippine Associated Smelting and Refining Corp. (PASAR). She is a practicing corporate lawyer and is a Senior Partner at the Law Firm of Picazo Buyco Tan Fider & Santos. Atty. Santos obtained her Bachelor of Arts and Bachelor of Laws degrees from the University of the Philippines.

COMMITTEES

EXECUTIVE	
Pedro E. Roxas	Chairman
Manuel. V. Pangilinan	Member
David L. Balangue	Member (ID*)

AUDIT AND RISK	
Geronimo C. Estacio	Chairman (ID*)
Christopher H. Young**	Member
David L. Balangue	Member (ID*)

COMPENSATION	
Manuel V. Pangilinan	Chairman
Santiago R. Elizalde	Member
Geronimo C. Estacio	Member (ID*)

NOMINATION, ELECTION & GOVERNANCE	
Pedro E. Roxas	Chairman
Atty. Ray C. Espinosa	Member
David L. Balangue	Member (ID*)

**ID = Independent Director*
***Replaced Atty. Fider as of August 19, 2015*

BOARD OF ADVISORS

VICENTE S. PEREZ, JR.
Advisor

SENEN C. BACANI
Advisor

VICENTE S. PEREZ, JR.
Advisor

57 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. Mr. Perez served as Philippine Energy Secretary from 2001 to 2005, the youngest to have held the post and one of the highest Cabinet achievers. He boosted energy self-sufficiency from 45% in 2000 to 51% in 2004. As Energy Secretary, he actively promoted energy investments such that energy accounted for 65% of total national investments registered in 2004. He served briefly in early 2001 as Deputy Minister (Undersecretary) at the Department of Trade and Industry and Managing Head of the Board of Investments. Mr. Perez has deep knowledge of and expertise in corporate finance, with over 17 years of investment banking experience. His experience includes Latin American debt restructuring at Mellon Bank in Pittsburgh, and debt trading, capital markets, and private equity in emerging countries at Lazard in London, New York and Singapore. At 35, Mr. Perez became a General Partner at the New York investment bank Lazard Frères as head of its Emerging Markets Group. He was Managing Director of Lazard Asia in Singapore from 1995 until 1997. He founded in 1997 Next Century Partners (NCP Advisors Philippines), a private equity firm based in Singapore and Manila, and invested in companies such as Del Monte Pacific, Fastech, and Smart Communications. In 2000, he founded Asian Conservation Company, a quadruple bottom line venture philanthropy company that acquired El Nido Resorts, an award-winning eco-tourism destination in Palawan, which was sold to Ayala Land in 2013. In 2005, he co-founded Merritt Partners, an advisory firm for energy companies in Asia. He also co-founded Alternergy, a wind power developer, and SolarPacific, a solar power developer. He also currently serves as an independent director of SM Investments Corporation, a holding company with the Philippines' largest market capitalization, and of ST Telemedia, the Temasek media telecoms holding company. He is Chairman of WWF-Philippines, member of the WWF-International board, and vice-chair of Stiftung Solarenergie. Mr. Perez also serves as member of the advisory boards of Coca-Cola FEMSA Philippines, Geneva-based Pictet Clean Energy Fund and the Yale Center for Business and Environment. He has advised ADB, IFC, and various international energy companies investing in Asia. Mr. Perez obtained an MBA from the Wharton Business School of the University of Pennsylvania in 1983 and a Bachelor's Degree in Business Economics from the University of the Philippines in 1979. He was a 2005 World Fellow at Yale University where he lectured an MBA class on renewable power at the Yale School of Management.

SENEN C. BACANI
Advisor

70 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 Chairman

MANUEL. V. PANGILINAN Vice Chairman

HUBERT D. TUBIO President & CEO

(Please refer to page 21 for the photos)

CELSO T. DIMARUCUT

Executive Vice President/Chief Finance Officer

ARCADIO S. LOZADA, JR.

- Executive Vice President - Operations,
- President & Chief Operating Officer, Central Azucarera Don Pedro, Inc.

LUIS O. VILLA-ABRILLE

- President & Chief Operating Officer, Central Azucarera de la Carlota, Inc.
- President & Chief Operating Officer, San Carlos Bioenergy, Inc.

JESSELYN P. PANIS

- Senior Vice President - Quality Assurance/Safety and Security/Product Brand Equity
- President & Chief Operating Officer, Roxol Bioenergy Corporation
- Executive Vice President - Operations (Central Azucarera de la Carlota, Inc. & San Carlos Bioenergy, Inc.)

GEORGE T. CHEUNG

Senior Vice President - Commercial Operations

CORPORATE OFFICERS

ATTY. FLORENCIO M. MAMAUAG, JR.

- Vice President - Legal & Corporate Affairs
- Assistant Corporate Secretary
- Compliance Officer
- Corporate Information Officer
- Corporate Secretary & VP-Legal, RHI Subsidiaries

FREDERICK E. REYES

- Vice President - Human Resources, Administration, and Corporate Social Responsibility

JOSE ROJO G. ALISLA

- Vice President - Agro-Industrial Research & Development and Farm Operations
- OIC - RHI Agribusiness Development Corporation

WILFREDO OSCAR T. ONGLAO

- Vice President & Deputy to the PCOO, Central Azucarera Don Pedro, Inc.

PAUL EDWIN V. LAZARO

Assistant Vice President - Internal Audit

KATRINA ESTRELLA L. SEBASTIAN

- Assistant Vice President - Treasury/Chief Risk Officer/Chief Credit Officer

PEDRO E. ROXAS (*See page 22*)

MANUEL V. PANGILINAN
(*See page 22*)

HUBERT D. TUBIO (*See page 23*)

CELSO T. DIMARUCUT
- EVP/CFO- Finance

54 years old and is a Filipino. He was appointed as EVP-CFO and Group Head of Finance effective December 1, 2015. Mr Dimarucut is part of the MVP Group where he served as SEVP and Chief Finance Officer of Landco Pacific Corporation and its subsidiaries and as SVP & Group Chief Finance Officer of Mediaquest Holdings, Inc. and its subsidiaries. Before moving to the MVP Group, he worked as First Vice-President and Group Financial Controller for domestic subsidiaries of Metropolitan Bank & Trust Company. Mr. Dimarucut initially served as Finance Head of Pilipino Telephone Corporation (Piltel) and later, as Comptroller of Philippine Long Distance Telephone Company (PLDT) after Piltel's integration to Smart Communications, Inc. where he managed the overall financial reporting functions of the PLDT Group. He also worked as SVP and Group Finance Officer of ePLDT, Inc., the information and communications technology group of PLDT. Mr. Dimarucut graduated Cum Laude at the Polytechnic University of the Philippines with a degree in BS Commerce, Major in Accounting. He is a Certified Public Accountant.

ARCADIO S. LOZADA, JR.
- EVP- Operations
- PCOO, Central Azucarera Don Pedro, Inc.

61 years old and is a Filipino. He was appointed as Executive Vice-President and Group Head for Operations of the company and as President & COO of Central Azucarera Don Pedro, Inc. (CADPI), a wholly-owned subsidiary, on 01 January 2014. He was formerly the Vice-President for Manufacturing of Victorias Milling Corporation, 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
- PCOO, Central Azucarera de la Carlota, Inc.
- PCOO, San Carlos Bioenergy, Inc.

67 years old and was appointed as President & COO of Central Azucarera de la Carlota, Inc. on 9 March 2015 and as President & COO of San Carlos Bioenergy, Inc. on 11 May 2015. Mr. Villa-Abrille was formerly the President & COO of Roxol Bioenergy Corporation, a wholly-owned subsidiary and the Executive Vice-President for Business Development of the company. He was also formerly the Vice-President & Resident Manager of GreenFuture Innovations, 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.

JESSELYN P. PANIS
- SVP, Quality Assurance/Safety and Security/Product Brand Equity
- PCOO, Roxol Bioenergy Corporation
- EVP - Operations (Central Azucarera de la Carlota, Inc. & San Carlos Bioenergy, Inc.)

49 years old and is a Filipino. She was appointed as Senior Vice-President and Group Head for Corporate QA/Safety and Security/ Product Brand Equity on 01 December 2014 and as President & COO of Roxol Bioenergy Corporation and Executive Vice-President for Operations of Central Azucarera de la Carlota, Inc., both wholly-owned subsidiaries, on 9 March 2015. She was also appointed as Executive Vice-President for Operations of San Carlos Bioenergy, Inc. on 11 May 2015. Ms. Panis was formerly the General Manager, Special Projects Director, Director for External Manufacturing for Asia Pacific and Philippine Operations, Factory Director and Quality Assurance Manager of Wrigley Philippines. She also worked as a Quality Assurance Specialist and Assistant Brewmaster for SMC Technical Services, as Quality Assurance Consultant for SMC Greater China Operations and as Quality Assurance Manager for the San Miguel Shunde Brewery in Guandong, China. Ms. Panis obtained her degree in Chemical Engineering from the De La Salle University in June 1986 and is a licensed Chemical Engineer.

GEORGE T. CHEUNG
- SVP Commercial Operations

42 years old and is a Filipino. He was appointed as Senior Vice President for Commercial Operations 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-Sugar Division 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 Hong Kong 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 Master in Business Administration (MBA) Global Executive program at the Duke University in Durham, North Carolina, USA.

ATTY. FLORENCIO M. MAMAUAG, JR.
- VP- Legal, & Corporate Affairs
- Assistant Corporate Secretary
- Compliance Officer
- Corporate Information Officer
- Corporate Secretary & VP-Legal, RHI Subsidiaries

55 years old and is a Filipino. He is the Assistant Corporate Secretary, VP for Legal, Compliance Officer, Corporate Information Officer (CIO) and Head of Corporate Affairs. 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., San Carlos Bioenergy Inc.,

RHI Agribusiness Development Corporation and the other subsidiaries of the company. Atty. Mamauag worked as an Associate Counsel in private law offices and as a State Corporate Attorney at the Department of Justice, Office of the Government Corporate Counsel, before joining the company on 01 September 1996. Atty. Mamauag, Jr. obtained his degree in Bachelor of Science in Accounting at the San Beda College Manila and worked as an Associate Auditor at the Sycip, Gorres, Velayo & Co. (SGV), the country's leading auditing and accounting firm. He obtained his Bachelor of Laws degree also at the San Beda College Manila. He is a CPA-Lawyer, a bar placer, a Professor of Law and a Bar Reviewer in Labor Law at the College of Law of San Beda College Manila.

FREDERICK REYES

- VP - Human Resources, Administration and Corporate Social Responsibility

54 years old and is a Filipino. He was appointed as AVP & Deputy Head of Human Resources on 01 February 2014 and was promoted to VP & Deputy Head of Human Resources on 5 January 2015. He is now the VP for Human Resources, Administration and Corporate Social Responsibility. Mr. Reyes was formerly the Director for Human Resources Services of Manila Water Company Inc. He has a 29-year experience in HR Operations having been in Vitarich in charge of Training, Quality Control and 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.

JOSE ROJO G. ALISLA

- VP- Agro- Industrial Research & Development and Farm Operations
- OIC, RHI Agribusiness Development Corporation

51 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; and Chief of Staff to the Sugar Regulatory Administrator before he joined the company. He obtained his Bachelor of Science in Civil Engineering at the University of the Philippines and his MBA at the University of St. La Salle University in Bacolod City.

WILFREDO OSCAR T. ONGLAO

- VP & Deputy to the PCOO, Central Azucarera Don Pedro, Inc.

62 years old and is a Filipino. He was appointed as VP and Deputy Head of Supply Chain on 3 March 2015 and thereafter as VP and Deputy to the PCOO of CADPI on 12 October 2015. Mr. Onglao was formerly the Senior Vice President of SM Investments Corporation (SMIC), the Vice-President of Goodwin Development Corporation and the Vice President & General Manager of Micronesia Mall, Guam Beachfront Residences, American Bakery, Toppy Furniture & Appliances and Goodwind Travel & Tours, Inc. in Guam, USA. He also worked with Universal Robina Corporation as Deputy General Manager of URC Sugar Business Unit and was a Commissioner of the Sugar Regulatory Administration (SRA). Mr. Onglao obtained his degree in Bachelor of Science in Mechanical Engineering and his Master in Business Administration at the University of the Philippines.

PAUL EDWIN V. LAZARO

- AVP – Internal Audit

38 years old and is a Filipino. He was appointed as Assistant Vice President Internal Audit on 5 January 2015 and as OIC Comptroller and Treasury Head on 8 September 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 Bachelor of Science in Accountancy at the University of Sto. Tomas and his MBA at the Ateneo Graduate School of Business.

KATRINA ESTRELLA L. SEBASTIAN

- AVP - Treasury
- Chief Risk Officer/ Chief Credit Officer

41 years old and is a Filipino. She was appointed as Assitant Vice President & Head of Treasury and Chief Risk Officer/Chief Credit Officer on 16 December. Ms. Sebastian was formerly the Head, Development Organisations, and Relationship Manager & Associate Director, Financial Institutions of Standard Chartered Bank; Relationship Associate, National Corporate Group of Citibank, N.A.; and Assistant Quality Assurance Manager of G & S Transport Corporation. She graduated with a degree in Bachelor of Science in Management at the Ateneo de Manila University and obtained her Master in Business Administration in International Business at the Manchester Business School in the UK.

HEADS OF SUBSIDIARIES & AFFILIATE

ARCADIO S. LOZADA, JR.
PCOO, Central Azucarera Don Pedro, Inc.

LUIS J. VILLA-ABRILLE
PCOO, Central Azucarera de la Carlota, Inc.
PCOO, San Carlos Bioenergy, Inc.

JESSELYN P. PANIS
PCOO, Roxol Bioenergy Corp.

TIMOTHY T. BENNETT
President & Director, Hawaiian-Philippine Company

INDEPENDENT
AUDITOR'S REPORT

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 the accompanying consolidated financial statements of Roxas Holdings, Inc. and Subsidiaries, which comprise the consolidated statements of financial position as at September 30, 2015 and 2014 and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended September 30, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated 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 the risk assessment, 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, 2015 and 2014, and their financial performance and their cash flows for each of the three years in the period ended September 30, 2015 in accordance with Philippine Financial Reporting Standards.

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. 4748319
Issued January 5, 2015, Makati City

December 16, 2015
Makati City, Metro Manila

CONSOLIDATED STATEMENTS OF
FINANCIAL POSITION
(Amounts in Thousands)

	Note	September 30 2015	2014
ASSETS			
Current Assets			
Cash and cash in banks	7	**₱ 202,415**	₱ 106,032
Trade and other receivables	8	**1,262,012**	1,105,317
Inventories	9	**1,500,826**	558,489
Other current assets	10	**625,605**	467,785
Total current assets		**3,590,858**	2,237,623
Noncurrent Assets			
Investment in an associate	11	**674,600**	626,681
Property, plant and equipment	12		
At cost		**10,352,271**	7,617,490
At appraised values		**4,021,148**	3,779,605
Investment properties	13	**311,110**	205,986
Goodwill	6	**1,236,052**	–
Retirement assets	17	**113,932**	134,901
Net deferred tax assets	26	**188,323**	72,178
Other noncurrent assets		**48,466**	25,431
Total Noncurrent Assets		**16,945,902**	12,462,272
		₱ 20,536,760	₱ 14,699,895
LIABILITIES AND EQUITY			
Current Liabilities			
Short-term borrowings	14	**₱ 3,268,601**	₱ 719,100
Current portion of long-term borrowings	15	**1,244,649**	42,241
Trade and other payables	16	**1,946,675**	626,593
Income tax payable		**15,471**	56,643
Total Current Liabilities		**6,475,396**	1,444,577

(Forward)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

		September 30	
	Note	**2015**	2014
Noncurrent Liabilities			
Long-term borrowings - net of current portion	15	**₱ 4,235,985**	₱ 5,101,351
Retirement liabilities	17	**232,908**	168,890
Net deferred tax liabilities	26	**1,037,416**	1,057,226
Other noncurrent liabilities	6	**40,150**	–
Total Noncurrent Liabilities		**5,546,459**	6,327,467
Total Liabilities		**12,021,855**	7,772,044
Equity Attribute to the Equity Holders of the Parent Company			
Capital stock	18	**1,169,289**	1,168,976
Additional paid-in-capital		**1,573,993**	574,913
Treasury stock	18	**(52,290)**	(768,860)
Other equity reserves	18	**3,145,022**	3,162,299
Retained earnings	18	**2,515,315**	2,751,827
		8,351,329	6,889,155
Non-controlling Interests		**163,576**	38,696
Total Equity		**8,514,905**	6,927,851
		₱ 20,536,760	₱ 14,699,895

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, except Basic and Diluted Earnings per Share Data)

			Years Ended September 30	
	Note	**2015**	2014	2013
REVENUE	21	**₱ 8,208,396**	₱ 8,316,718	₱ 6,064,728
COSTS OF GOODS SOLD	22	**(7,164,185)**	(6,882,691)	(4,450,154)
GROSS INCOME		**1,044,211**	1,434,027	1,614,574
GENERAL AND ADMINISTRATIVE EXPENSES	23	**(1,031,997)**	(731,902)	(623,546)
SELLING EXPENSES	23	**(31,941)**	(24,038)	(40,361)
INTEREST EXPENSE	15	**(271,355)**	(314,543)	(390,662)
SHARE IN NET EARNINGS OF AN ASSOCIATE	11	**134,424**	83,214	68,315
OTHER INCOME - Net	25	**84,360**	229,516	107,680
INCOME (LOSS) BEFORE INCOME TAX		**(72,298)**	676,274	736,000
INCOME TAX EXPENSE (BENEFIT)	26			
Current		**82,068**	90,491	125,441
Deferred		**(172,919)**	(29,563)	124,775
		(90,851)	60,928	250,216
NET INCOME		**₱18,533**	₱ 615,346	₱ 485,784
Net income attributable to:				
Equity holders of the Parent Company		**₱ 10,832**	₱ 611,937	₱ 485,337
Non-controlling interests		**7,721**	3,409	447
		₱ 18,553	₱ 615,346	₱ 485,784
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	27			
Basic		**₱ 0.01**	₱ 0.67	₱ 0.53
Diluted		**0.01**	0.66	0.53

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME
(Amounts in Thousands)

		Years Ended September 30		
	Note	**2015**	2014	2013
NET INCOME		**₱ 18,553**	₱ 615,346	₱ 485,784
OTHER COMPREHENSIVE INCOME (LOSS)				
Items not to be reclassified to profit or loss				
Reameasurement gain (loss) on retirement assets and liabilities, net of tax	17	**(17,277)**	156,742	(184,547)
Appraisal increase on land, net of tax	12	**–**	704,122	–
Effect of change in tax rate on beginning balance of revaluation increment on land	26	**–**	37,600	–
Share in remeasurement gain (loss) on retirement asset of an associate		**–**	(1,084)	952
TOTAL COMPREHENSIVE INCOME		**₱ 1,276**	₱ 1,512,726	₱ 302,189
Total comprehensive income attributable to:				
Equity holders of the Parent Company		**(₱ 6,445)**	₱ 1,509,317	₱ 301,742
Non-controlling interests		**7,721**	3,409	447
		₱ 1,276	₱ 1,512,726	₱ 302,189

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF

CHANGE IN EQUITY

(Amounts in Thousands)

	Note	Capital Stock (Note 18)	Additional Paid-in-Capital	Treasury Stock (Note 18)	Other Equity Reserves (Note 18)	Retained Earnings (Note 18)	Total	Non-controlling Interests	Total Equity
Balance as at September 30, 2014		**₱ 1,168,976**	**₱ 574,913**	**(₱ 768,860)**	**₱ 3,162,299**	**₱ 2,751,827**	**₱ 6,889,155**	**₱ 38,696**	**₱ 6,927,851**
Exercise of stock option	20	**313**	**466**	**–**	**–**	**–**	**779**	**–**	**779**
Issuances of treasury, net of stock transaction cost	18	**–**	**963,561**	**716,570**	**–**	**–**	**1,680,131**	**–**	**1,680,131**
Net income		**–**	**–**	**–**		**10,832**	**10,832**	**7,721**	**18,553**
Acquisition of non-controlling interest	6	**–**	**–**	**–**	**–**	**–**	**–**	**117,159**	**117,159**
Employee stock option	20	**–**	**35,053**	**–**	**–**	**–**	**35,053**	**–**	**35,053**
Remeasurement loss on retirement assets and liabilities, net of tax	17	**–**	**–**	**–**	**(17,277)**	**–**	**(17,277)**	**–**	**(17,277)**
Cash dividends	18	**–**	**–**	**–**	**–**	**(247,344)**	**(247,344)**	**–**	**(247,344)**
Balances at September 30, 2015		**₱ 1,168,289**	**₱ 1,573,993**	**(₱ 52,290)**	**₱ 3,145,022**	**₱ 2,515,315**	**₱ 8,351,329**	**₱ 163,576**	**₱ 8,514,905**
Balances at September 30, 2013		₱ 1,168,976	₱ 556,951	(₱ 768,860)	₱ 2,264,919	₱ 2,303,609	₱ 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	12	–	–	–	704,122	–	704,122	–	704,122
Remeasurement gain on retirement assets and liabilities, net of tax	17	–	–	–	156,742	–	156,742	–	156,742
Effect of change in tax rate on beginning balance of revaluation increment on land	26	–	–	–	37,600	–	37,600	–	37,600
Share in remeasurement loss on retirement asset of an associate	11	–	–	–	(1,084)	–	(1,084)	–	(1,084)
Employee stock option	20	–	17,962	–	–	–	17,962	–	17,962
Cash dividends	18	–	–	–	–	(163,719)	(163,719)	–	(163,719)
Balances as at September 30, 2014		**₱ 1,168,976**	**₱ 574,913**	**(₱ 768,860)**	**₱ 3,162,299**	**₱ 2,751,827**	**₱ 6,889,155**	**₱ 38,696**	**₱ 6,927,851**
Balances at September 30, 2012		**₱ 1,168,976**	**₱ 554,960**	**(₱ 768,860)**	**₱ 2,448,514**	**₱ 1,909,226**	**₱ 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	17	–	–	–	(184,547)	–	(184,547)	–	(184,547)
Share in remeasurement gain on retirement asset of an associate	11	–	–	–	952	–	952	–	952
Employee stock option	20	–	1,991	–	–	–	1,991	–	1,991
Cash dividends	18	–	–	–	–	(90,954)	(90,954)	–	(90,954)
Balances at September 30, 2013		**₱ 1,168,976**	**₱ 556,951**	**(₱ 768,860)**	**₱ 2,264,919**	**₱ 2,303,609**	**₱ 5,525,595**	**₱ 35,287**	**₱ 5,560,882**

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF
CASH FLOWS
(Amounts in Thousands)

	Note	2015	2014	2013
			Year Ended September 30	
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax		**(₱ 72,298)**	₱ 676,274	₱ 736,000
Adjustments for:				
Depreciation and amortization	12	**797,235**	680,835	679,649
Interest expense	15	**271,355**	314,543	390,662
Share in net earnings of associate	11	**(134,424)**	(83,214)	(68,315)
Retirement benefits	17	**44, 861**	44,992	37,959
Employee stock option	20	**35,053**	17,962	1,991
Provision for inventory losses and obsolescence	9	**7,271**	–	13,544
Interest income	25	**(2,558)**	(1,123)	(2,386)
Net provision (reversal allowance) for impairment losses on receivables	8	**1,386**	(39,902)	6,236
Net unrealized foreign exchange losses (gains)	25	**183**	(2,284)	606
Recovery from insurance claims	25		(40,903)	–
Unrealized gain on fair value adjustment on investment properties	13	**–**	(33,349)	–
Income from performance bank guarantee	25	**–**	–	(62,834)
Loss on property and equipment due to fire	23	**–**	–	22,305
Operating income before changes in working capital		**948,064**	1,553,831	1,755,417
Decrease (increase) in:				
Trade and other receivables		**75,085**	306,017	(599,161)
Inventories		**(811,156)**	992,405	(782,103)
Other current assets		**(72,573)**	15,022	(41,031)
Increase (decrease) in trade and other payables		**473,664**	(79,200)	(58,820)
Net cash generated from operations		**613,084**	2,768,075	274,302
Income taxes paid, including final taxes		**(123,240)**	(79,289)	(73,928)
Interest received		**2,558**	1,123	2,386
Retirement contributions paid	17	**–**	(13,031)	(121,724)
Net cash flows provided by operating activities		**492,402**	2,676,878	81,036

(Forward)

CONSOLIDATED STATEMENTS OF

CASH FLOWS

(Amounts in Thousands)

	Note		Year Ended September 30	
		2015	2014	2013
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of subsidaries, net of cash absorbed	6	**(₱ 1,731,146)**	₱ –	₱ –
Additions to:				
Property, plant and equipment	12	**(1,114,069)**	(403,262)	(214,271)
Investment properties	13	**(3,500)**	–	–
Proceeds from:				
Dividends received		**86,505**	67,376	45,678
Disposal of property and equipment		**36,267**	–	165
Recovery from insurance claims		**–**	40,903	–
Performance bank guarantee		**–**	–	62,834
Decrease (increase) in other noncurrent assets		**(3,672)**	(11,516)	10,096
Net cash flows used in investing activities		**(2,729,615)**	(306,499)	(95,498)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net availments (payments) of short-term borrowings		**2,549,501**	(301,427)	(127,473)
Proceeds from:				
Issuances of treasury shares, net of transaction cost	18	**1,680,132**	–	–
Exercise of stock option	20	**778**	–	–
Payments of:				
Long-term borrowings		**(1,352,336)**	(1,673,348)	(123,289)
Interest		**(296,952)**	(294,090)	(392,174)
Dividends		**(247,344)**	(163,719)	(140,451)
Availment of long-term borrowings		**–**	–	800,000
Net cash flows provided by (used in) financing activities		**2,333,779**	(2,432,584)	16,613
NET INCREASE (DECREASE) IN CASH AND CASH IN BANKS		**96,566**	(62,205)	2,151
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH IN BANKS		**(183)**	2,284	(606)
CASH AND CASH IN BANKS AT BEGINNING OF YEAR		**106,032**	165,953	164,408
CASH AND CASH IN BANKS AT END OF YEAR	7	**₱202,415**	₱106,032	₱165,953

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS

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 Securities and Exchange Commission (SEC) on October 30, 1930 for the purpose of holding and investing in corporations engaged in the business of manufacturing sugar and allied products. The corporate life of the Parent Company has been extended for another 50 years until November 1, 2030.

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 66% 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 interest in the Parent Company to First Pacific Company, Ltd. (First Pacific), a Hong Kong-based company. RCI remains the major shareholder of the Parent Company with 35% equity interest while First Pacific has 34% equity interest as it acquired additional shares of stock of the Parent Company from other stockholders as at September 30, 2014.

On February 28, 2015, First Pacific, through its subsidiary (First Agri Holdings Corp), acquired 241,780,709 treasury shares of the Company amounting to ₱1,692.5 million resulting to an increase in effective interest from 34% to 51% (see Note 18). As a result, First Pacific became the major shareholder of the Parent Company while equity interest of RCI in the Parent Company was further diluted from 35% to 28%. RCI has 31% equity interest in the Parent Company as at September 30, 2015.

As at September 30, 2015 and 2014, the Parent Company has 2,150 and 2,176 shareholders, respectively.

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, San Carlos Ecozone, San Carlos City, Negros Occidental.

<u>Approval of the Consolidated Financial Statements</u>
The consolidated financial statements as at September 30, 2015 and 2014 and for each of the three years in the period ended September 30, 2015, were approved and authorized for issue by the Parent Company's Board of Directors (BOD) on December 16, 2015, as reviewed and recommended for approval by the Group's Audit and Risk Committee on December 2, 2015.

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 that are measured at fair value. The consolidated financial statements have been presented in Philippine Peso, which is the functional currency of the Parent Company and its subsidiaries. All amounts are rounded to the nearest thousands, except for number of shares and 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), including the SEC pronouncements.

3. Summary of Changes in Accounting Policies

<u>Adoption of New and Revised PFRS</u>
The Group adopted the following new and revised PFRS effective October 1, 2014 as summarized below.

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

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

- Amendments to PAS 36, I*mpairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets*, remove the unintended consequences of PFRS 13, Fair Value Measurement, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash generating units for which impairment loss has been recognized or reversed during the year.

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

- Amendments to PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions*, apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions from current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions from current service cost upon payment of these contributions to the plans.

- Amendments to PAS 24, *Related Party Disclosures - Key Management Personnel*, 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.

- Amendment to PAS 40, *Investment Property - Clarifying the Interrelationship between PFRS 3*, Business Combination and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property - The amendment clarifies that determining whether a specific transaction meets the definition of both a business combination and investment property requires the separate application of PAS 40 and PFRS 3.

- Amendments to PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables and Portfolio Exception*, clarify that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial.

It also clarifies that the scope of the portfolio exception includes all contracts accounted for within the scope of PAS 39, Financial Instruments: Recognition and Measurement or PFRS 9, Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities.

- Amendments to PFRS 10 *Consolidated Financial Statements, PFRS 12, Disclosure of Interests in Other Entities and PAS 27*, Separate Financial Statements - Investment Entities, 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 through profit or loss. Investment entity refers to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both.

The adoption of the foregoing new and revised PFRS did not have any material effect on the consolidated financial statements of the Group. Additional disclosures have 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, 2015 and have not been applied in preparing the separate financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2016 –

- PAS 16 and PAS 38: *Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments) – The amendments clarify that the use of revenue-based methods to calculate depreciation and amortization of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in an asset.

Effective for annual periods beginning on or after January 1, 2017 –

- PFRS 15, *Revenue from Contracts with Customers* – PFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The core principle of PFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. To achieve that core principle, an entity would apply all of the following five steps: identify the contract with a customer; identify the separate performance obligations in the contract; determine the transaction price; allocate the transaction price to the separate performance obligations in the contract; and recognize revenue when or as the entity satisfies a performance obligation.

Effective for annual periods beginning on or after January 1, 2018 –

- PFRS 9, *Financial Instruments*, reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments*: *Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

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				Principal Place of
	2015	2014	2013	Nature of Business	Business
Central Azucarera Don Pedro, Inc. (CADPI)[1]	100.00%	100.00%	100.00%	Production and selling of raw and refined sugar, molasses and related products	Makati City and Nasugbu, Batangas
Central Azucarera de la Carlota, Inc. (CACI)	100.00%	100.00%	100.00%	Production and selling of raw sugar and molasses	Makati City and Negros Occidental
CADP Insurance Agency, Inc. (CIAI)	100.00%	100.00%	100.00%	Insurance agency	Makati City
Roxol Bioenergy Corp. (RBC) [1]	100.00%	100.00%	100.00%	Production and selling of bioethanol fuel and trading of goods such as sugar and related products	Negros Occidental
CADP Port Services, Inc. (CPSI)	100.00%	100.00%	100.00%	Providing ancillary services	Makati City
RHI Agri-Business Development Corporation (RABDC)[2]	100.00%	–	–	Agricultural business	Batangas City
Roxas Pacific Bioenergy Corporation (RPBC) [2]	100.00%	–	–	Holding company for bioethanol investments	Negros Occidental
RHI Pacific Commercial Corp. (RHIPCC) [2]	100.00%	–	–	Selling arm of RHI Group	Makati City
San Carlos Bioenergy, Inc. (SCBI) [3]	93.68%	–	–	Production and selling of bioethanol fuel	Negros Occidental
Najalin Agri Ventures, Inc. (NAVI)	77.38%	77.38%	77.38%	Agricultural and industrial development	Negros Occidental
Roxas Power Corporation (RPC)	50.00%	50.00%	50.00%	Sale of electricity	Nasugbu, Batangas
Jade Orient Management Services, Inc. (JOMSI)	–	–	100.00%	Managing and operating agricultural land and planting and cultivation of sugar cane and other farm products	Makati City
CADPI Consultancy Services, Inc. (CCSI)	–	–	100.00%	Management, investment and technical consultancy services	Makati City
CADPI Farm Services, Inc. (CFSI)	–	–	100.00%	Land preparation and other related farm services	Makati City

(1) *Direct ownership of 20.53% and indirect ownership through CADPI of 79.47%*

(2) *Newly incorporated wholly owned subsidiaries in 2015. As at September 30, RABDC and RHIPCC have not yet started commercial operations*
(3) *Acquired in April 2015 through RPBC (see Note 6)*

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. In 2015, management changed its intention to continue the corporate existence of RPC and requested the cancellation of the application for its business closure from the Bureau of Internal Revenue (BIR). As at September 30, 2015, the applications for the business closure of CPSI and CIAI are still pending approval from the pertinent government agencies.

The Parent Company has control over RPC because it has the power to cast the majority of votes through its representatives in the BOD, has rights to variable returns from RPC 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, except for SCBI, which have December 31 reporting year. The Group is using uniform accounting policies for like transactions and other events in similar circumstances. Adjustments, including significant intervening transactions, 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 non-controlling interest or partial disposal of interest over a subsidiary) that do not result in a loss of control are accounted for as equity transactions.

Non-controlling interests represent the portion of profit or loss and net assets of NAVI, RPC and SCBI not held by the Group, directly or indirectly, and are presented separately in the consolidated statements of comprehensive income and within the equity section of the consolidated statements of financial position and consolidated statements 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 non-controlling interests even if this results in the non-controlling 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 non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling 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 non-controlling 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 amounts. 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.

Business Combinations and Goodwill. Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are recognized as expense. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured. Subsequent settlement is accounted for within equity. In instance where the contingent consideration does not fall within the scope of PAS 39, it is measured in accordance with the appropriate PFRS.

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 this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss. If the initial accounting for business combination can be determined only provisionally by the end of the year by which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the Group accounts the combination using provisional values. Adjustments to these provisional values as a result of completing the initial accounting should be made within 12 months from the acquisition date. The carrying amount of an identifiable asset, liability or contingent liability that is recognized as a result of completing the initial accounting should be calculated as if its fair value at the acquisition date had been recognized from that date and goodwill or any gain recognized should be adjusted from the acquisition date by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted.

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

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, 2015 and 2014.

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 cash in banks, trade and other receivables, except for advances for raw sugar purchases, as at September 30, 2015 and 2014 (see Notes 7, 8 and 19).

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, dividend 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 dividend payable as at September 30, 2015 and 2014 (see Notes 14, 15, 16 and 19).

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.

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.

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.

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.

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 amount of the asset does not exceed its amortized cost at the reversal date.

Offsetting of 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.

<u>Fair Value Measurement</u>
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 - Determination of Revaluation Value of Land and Determination of Fair Value of Investment Properties"
- Note 12, "Property, Plant and Equipment"
- Note 13, "Investment Properties"
- Note 29, "Financial Instruments"

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

Raw and Refined Sugar, Molasses and Alcohol. 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 sugar, 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 the production and the estimated costs necessary to make the sale.

Materials and Supplies. 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 assessment.

<u>Other Current Assets</u>
This account consists of creditable withholding taxes, input value-added tax (VAT) and prepayments.

Creditable withholding tax (CWT). CWT represents the amount withheld by the Group's customers in relation to its income. CWT can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation.

Prepayments. Prepayments are expenses paid in advance and recorded as asset before these are utilized. Prepayments are apportioned over the period covered by the payment and charged to appropriate expense accounts in profit or loss when incurred. Prepayments that are expected to be realized for no more than 12 months after the financial reporting year are classified as current assets. Otherwise, these are classified as noncurrent assets.

<u>Investment in an Associate</u>
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.

<u>Property, Plant and Equipment</u>
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, the construction in progress is reclassified to the appropriate fixed asset 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 statements 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 statements 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 statements 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
Depot and storage facilities	15
Office furniture, fixtures and equipment	3 to 5
Transportation equipment	3 to 6

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.

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

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.

Software Cost
Software cost, which is presented as part of "Other Noncurrent Assets," is initially measured at cost. Following initial recognition, software cost is carried at cost less any accumulated amortization and any impairment losses. 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. These are classified as noncurrent assets.

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

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.

Impairment of Nonfinancial Assets
The carrying amounts of investment in an associate, property, plant and equipment, 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 an appraisal 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. The Group also recognizes a corresponding increase in additional paid-in capital when services are received in an equity-settled share-based payment transaction.

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 non-controlling 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 statements of changes in equity) that are not recognized in profit or loss for the year in accordance with PFRS. These are presented as part of other equity reserves in the consolidated statement of changes in equity. Other comprehensive income (loss) includes revaluation increment on land, excess of consideration received over the carrying amount of investment in a subsidiary transferred to Parent Company, effect of change in equity interest in subsidiaries and cumulative remeasurement loss on net retirement assets and liabilities.

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 20. 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 27).

Revenue Recognition
Revenue comprises the fair value of the sale of goods and services in the ordinary course of the Group's operations. 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.

<u>Cost and Expense Recognition</u>
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, outside services and rental and utilities and general office expenses. These expenses are recognized when incurred.

<u>Borrowing Costs</u>
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.

<u>Leases</u>
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).

Operating Lease - The Group as a Lessee. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating lease. Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Operating Lease - The Group as a Lessor. Leases where the Company does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and amortized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the year in which these are earned.

For income tax reporting purposes, operating lease payment under operating lease agreements is treated as deductible expense in accordance with the terms of the lease agreements.

<u>Employee Benefits</u>

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 plan assets are generally funded through payments to trustee-administered funds as determined by periodic actuarial calculations. Plan assets are not available to the creditors of the Group, nor can be paid directly to the Group. The fair value of the plan assets is based on the market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the retirement liability, the measurement of the resulting retirement plan asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The 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.

Related Party Relationship 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.

Foreign Currency-Denominated Transactions
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.

Taxes

Current income 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 income 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 and associates. 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 reassessed 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.

Value-added Tax (VAT). Revenue, expenses and assets are recognized, net of the amount of VAT, except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the 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" account and "Trade and other payables" account, respectively, in the consolidated statements of financial position.

Provisions and Contingencies
Provision 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.

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.

Determining the 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, 2015 and 2014 are RHI, CADPI, CACI, RBC, SCBI and others (see Note 30).

Determining whether 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% and no equity ownership yet in RPC and NPSC, respectively, the Parent Company has control over RPC and NPSC by virtue of its rights to variable returns rights to variable returns from the subsidiary and ability to affect those returns. Moreover, the Parent Company has the power to cast the majority of votes through its representatives in the BOD.

Estimating the Fair Value of Employee Stock Option. Employee stock option is measured at fair value at grant date. For stock option granted to employees, in many cases market prices are not available and therefore the fair value of the option granted is determined and estimated by applying an option pricing model. Option pricing models need input data such as expected volatility of the share price, expected dividends or the risk-free interest rate for the life of the option. The overall objective is to approximate the expectations that would be reflected in a current market or negotiated exchange price for the option. Such assumptions are subject to judgements and may turn out to be significantly different than expected.

Fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. The estimate of the number of equity instruments expected to vest is revised by the Group at the end of each reporting year through settlement. Revisions of the original estimates, if any, is recognised in profit or loss so that the cumulative expense includes the revised estimate, with the corresponding adjustment to the reserve for employee equity-settled benefits.

The employee stock option expense recognized for employee services received amounted to ₱35.1 million, ₱18.0 million and ₱2.0 million in 2015, 2014 and 2013, respectively (see Note 20).

Determining the Classification of Lease Agreements. Management exercises judgment in determining whether substantially all the significant risks and benefits of ownership over the leased assets are retained by the lessor. Lease contracts, which transfer to the lessee substantially all the risks and benefits incidental to ownership of the lease item, are classified for as finance leases. Otherwise, these are classified as operating leases.

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

  Rent expense charged to operations amounted to ₱117.0 million, ₱110.7 million and ₱83.6 million, included in "Cost of goods sold" and "General and administrative expenses" accounts, in 2015, 2014 and 2013, respectively (see Notes 22 and 23).

- 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 ₱6.6 million, ₱7.7 million and ₱6.6 million in 2015, 2014 and 2013, respectively (see Note 25).

Determining the 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 measurement of these properties.

The Group classified and accounted the land of NAVI, SCBI, CADPI and the Parent Company held for rent or capital appreciation as investment properties. As at September 30, 2015 and 2014, the carrying amount of investment properties amounted to ₱311.1 million and ₱206.0 million, respectively (see Note 13).

Estimates and Assumptions

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.

Estimating 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, 2015 and 2014, trade and other receivables amounted to ₱1,262.0 million and ₱1,105.3 million, respectively (see Note 8). Allowance for impairment losses of trade and other receivables amounted to ₱80.7 million and ₱79.3 million as at September 30, 2015 and 2014, respectively (see Note 8).

Determining the 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, 2015 and 2014, the inventories carried at lower of cost or NRV amounted to ₱1,500.8 million and ₱558.5 million, respectively (see Note 9). Allowance for inventory losses and obsolescence amounted to ₱24.1 million and ₱16.9 million as at September 30, 2015 and 2014, respectively (see Note 9).

Allocating the Cost to Molasses Inventory. Management uses judgment to measure and allocate cost 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, 2015 and 2014, portion of molasses inventory amounting to ₱7.6 million and ₱2.0 million, respectively, pertains to allocated cost from the total production costs of milled raw and refined sugar (see Note 9).

Estimating the 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, 2015 and 2014, carrying amount of creditable withholding taxes amounted to ₱339.4 million and ₱260.1 million, respectively (see Note 10). Allowance for impairment losses amounted to ₱12.2 million as at September 30, 2015 and 2014 (see Note 10).

Determining the Revaluation Value of Land. 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 based on the gathered available market evidences. Revaluations are made on a regular basis to ensure that the fair value does not differ materially from its carrying value.

Land carried at revalued amount as at September 30, 2015 and 2014 amounted to ₱4,021.1 million and ₱3,779.6 million, respectively (see Note 12).

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.

Estimating 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 amount of the depreciable property, plant and equipment as at September 30, 2015 and 2014 amounted to ₱10,352.3 million and ₱7,617.5 million, respectively (see Note 12).

Determining the 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 appraisal reports were made on various dates of 2014.

Investment properties stated at fair value amounted to ₱311.1 million and ₱206.0 million as at September 30, 2015 and 2014, respectively (see Note 13).

Assessing 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	**2015**	2014
Property, plant and equipment	12	**₱14,373,419**	₱11,397,095
Goodwill	6	**1,236,052**	–
Investment in an associate	11	**674,600**	626,681

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 2015, 2014 and 2013.

Determining Retirement Benefits and Liability. 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 17.

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, 2015 and 2014, retirement assets amounted to ₱113.9 million and ₱134.9 million, respectively, while retirement liabilities amounted to ₱232.9 million and ₱168.9 million as at September 30, 2015 and 2014, respectively (see Note 17). Net retirement benefits expense amounted to ₱44.9 million, ₱45.0 million and ₱38.0 million in 2015, 2014 and 2013, respectively (see Note 17).

Assessing 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 ₱188.3 million and ₱72.2 million as at September 30, 2015 and 2014, respectively (see Note 26).

Deferred tax assets were not recognized on certain deductible temporary differences and carryforward benefits of NOLCO and MCIT with income tax effect amounting to =10.9 million and =22.5 million as at September 30, 2015 and 2014, respectively (see Note 26). 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.

Evaluation 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 2015 and 2014. The Group has provision for probable losses amounting to nil and ₱16.2 million as at September 30, 2015 and 2014, respectively (see Note 28).

6. **Business Combination**

In April 2015, RHI entered into a Sale and Purchase Agreement (SPA) for the acquisition of 93.68% equity interest in SCBI through RPBC for a total consideration of ₱1,737.6 million. The total consideration includes the purchase of the receivable of the former stockholders of SCBI from Northeastern Port Storage Corporation (NPSC) amounting to ₱122.0 million. All closing conditions have been substantially met in May 2015.

The SPA also provides for the transfer of assets of NPSC to SCBI, whether through merger with, acquisition of NPSC or direct asset sale, without additional consideration to RHI. Consequently, RHI effectively acquired the business of NPSC without holding equity interest yet. The assets of NPSC mainly include depot and storage facilities, which are included in the 2015 consolidated statement of financial position. As at the date of the report, the transfer of NPSC or its assets to SCBI has not yet been finalized and executed.

The fair values of the net assets acquired and provisional goodwill resulting from the business combination are as follows:

	Carrying Amount	Fair Value
Cash	₱6,502	₱6,502
Trade and other receivables	233,166	233,166
Inventories	138,452	138,452
Other current assets	63,344	63,344
Property, plant and equipment	2,535,757	2,698,431
Investment property	69,142	96,601
Indemnification asset	–	21,904
Other noncurrent assets	24,500	24,500
Total Assets	3,070,863	3,282,900
Loans payable	1,689,378	1,689,378
Notes Payable	135,000	13,000
Trade and other payables	677,266	677,266
Notes Payable	135,000	13,000
Deferred interest	193,841	148,836
Redeemable preferred stock	38,850	38,850
Cumulative preferred dividend	–	34,214
Retirement liability	17,530	17,530
Deferred tax liabilities	27,295	45,072
Total liabilities	2,779,160	2,664,146
Net assets acquired	₱291,703	618,754
Total consideration		(1,737,647)
Share of non-controlling interest		(117,159)
Provisional goodwill		₱1,236,052

As at September 30, 2015, the Group has not yet completed the measurement at fair value of the net assets of NPSC and possible claim from the former stockholders of SCBI for certain assets of SCBI. Consequently, the Group reported in its consolidated financial statements provisional goodwill.

The fair value of property, plant and equipment and investment property were based on the appraised value assessed by an independent appraiser in May and August 2015, for which the related deferred tax liabilities were also recognized. The fair value of deferred interest (see Note 15) and cumulative preferred dividend are based on the agreed settlement amount with the counterparty at the date of acquisition.

Redeemable preferred stock amounting to ₱38.9 million as at September 30, 2015 and presented under "Other noncurrent liabilities" in the consolidated statements of financial position, pertains to shares issued by SCBI to National Development Company with cumulative dividends, mandatory redemption and convertible features. On November 27, 2015, SCBI redeemed the preferred stock for the same amount.

One of the former stockholders of SCBI, Menarco Clean Energy, Inc. (MCEI), agreed to indemnify the Group amounting to ₱21.9 million for the settlement of the unpaid cumulative dividend. The indemnification asset is presented as part of "Other Current Assets" (see Notes 10 and 16). As at the date of the report, the cumulative preferred dividend is still unpaid.

The acquisition resulted to a provisional goodwill and non-controlling interest amounting to ₱1,236.1 million and ₱117.2 million, respectively.

The 2015 consolidated statement of comprehensive income include the results of operations of SCBI from the date of acquisition to September 30, 2015 as follows:

Revenue	₱660,223
Cost of sales	(626,834)
Gross income	33,389
General and administrative expenses	(8,803)
Other income - net	9,751
Income before income tax	34,337
Income tax expense	1,483
Net income	₱32,854

The net cash provided by (used in) operations of SCBI for the five-month period ended September 30, 2015 included in the consolidated statement of cash flows, is as follows:

Net cash provided by (used in):	
Operating activities	₱1,042,527
Investing activities	(53,204)
Financing activities	(982,426)
Net increase in cash and cash in banks	6,897
Cash and cash in banks at beginning of period	6,478
Cash and cash in banks at end of period	₱13,375

Had the acquisition took place at the beginning of the fiscal year of 2015, the revenue of the Group would have been ₱9,501.8 million and net loss would have been incurred amounting to ₱121.4 million.

7. Cash and Cash in Banks

This account consists of:

	2015	2014
Cash on hand	**₱3,138**	₱3,955
Cash in banks	**199,277**	102,077
	₱202,415	₱106,032

Cash in banks earn interest at the respective bank deposit rates.

Interest income earned arises from the following:

	Note	**2015**	2014	2013
Due from planters and cane haulers	8	**₱1,458**	₱567	₱1,083
Cash in banks		**1,100**	556	1,303
	25	**₱2,558**	₱1,123	₱2,386

8. Trade and Other Receivables

This account consists of:

	Note	**2015**	2014
Trade		**₱1,059,717**	₱983,465
Due from:			
Planters and cane haulers		**110,103**	50,642
Employees		**54,638**	32,610
Related parties	19	**32,382**	71,447
Advances to suppliers		**21,960**	–
Advances for raw sugar purchases		**–**	21,887
Others		**63,891**	24,559
		1,342,691	1,184,610
Allowance for impairment losses		**(80,679)**	(79,293)
		₱1,262,012	₱1,105,317

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

Due from planters and cane haulers pertain to interest-bearing cash advances, which will be settled in the form of raw sugar from the planters and through services to be rendered by the cane haulers, respectively. Interest income amounted to ₱1.5 million, ₱0.6 million and ₱1.1 million in 2015, 2014 and 2013, respectively (see Note 7).

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 2015, 2014 and 2013.

Advances to suppliers primarily pertains to advance payments for materials and labor related to repairs and maintenance of the bio-ethanol distillery complex.

Other receivables include advances to planters' association, other suppliers and nontrade receivables, which are noninterest-bearing and normally settled within one year.

In 2015, trade receivables of SCBI from Petron Corporation amounting to ₱200.0 million was assigned, on a with recourse basis, to Philippine Bank of Communications (PBCOM), for the settlement of its short-term loans (see Note 14). Subsequently, in May 2015, the said loan was fully settled.

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

			2015			
	Note	**Trade**	**Due from Planters and Cane Haulers**	**Due from Employees**	**Others**	**Total**
Balance at beginning of year		**₱39,176**	**₱29,334**	**₱733**	**₱10,050**	**₱79,293**
Provision	23	**–**	**–**	**–**	**1,386**	**1,386**
Reclassifications		**70**	**(12,906)**	**–**	**12,836**	**–**
Balance at end of year		**₱39,246**	**₱16,428**	**₱733**	**₱24,272**	**₱80,679**

			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	23	(38,435)	(1,583)	–	–	(40,018)
Provision	23	–	–	116	–	116

				2014		
	Note	Trade	Due from Planters and Cane Haulers	Due from Employees	Others	Total
Reclassifications		(14,945)	16,787	(725)	(1,117)	–
Balance at end of year		₱39,176	₱29,334	₱733	₱10,050	₱79,293

9. Inventories

This account consists of:

	2015	2014
At NRV:		
Materials and supplies	**₱572,861**	₱399,739
Molasses	**161,533**	–
Alcohol	**138,845**	–
At cost:		
Refined sugar	**319,745**	79,101
Raw sugar	**304,778**	6,790
Molasses	**–**	72,564
Alcohol	**–**	295
Others	**3,064**	–
	₱1,500,826	₱558,489

Cost of inventories valued at NRV is shown below:

	2015	2014
Materials and supplies	**₱595,611**	₱416,599
Molasses	**162,860**	–
Alcohol	**138,899**	–
	₱897,370	₱416,599

Details and movements of allowance for inventory losses and obsolescence are as follows:

			2015	
	Note	**Alcohol and Molasses**	**Materials and Supplies**	**Total**
Balance at beginning of year		**₱–**	**₱16,860**	**₱16,860**
Provisions	22	**1,381**	**5,890**	**7,271**
Balance at end of year		**₱1,381**	**₱22,750**	**₱24,131**

		2014	
	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

Provisions for inventory losses and obsolescence amounting to ₱7.3 million and ₱13.5 million, are presented under "Cost of goods sold" and "General and Administrative Expenses" in 2015 and 2013, respectively (see Notes 22 and 23). No provision for inventory losses and obsolescence was recognized in 2014.

Cost of inventories recognized as expense and presented as "Direct materials used" under "Cost of goods sold" amounted to ₱3,207.3 million, ₱3,921.6 million and ₱1,604.6 million in 2015, 2014 and 2013, respectively (see Note 22).

10. Other Current Assets

This account consists of:

	Note	**2015**	2014
Creditable withholding taxes, net of allowance for impairment loss		**₱339,398**	₱260,137
Input VAT		**238,480**	191,390
Indemnification asset	6	**21,904**	–
Others		**25,823**	16,258
		₱625,605	₱467,785

Allowance for impairment loss on creditable withholding taxes amounted to ₱12.2 million as at September 30, 2015 and 2014.

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

Others consist of prepaid insurance and rent.

11. Investment in an Associate

Movements in investment in an associate are as follows:

	2015	2014
Acquisition cost	**₱127,933**	₱127,933
Accumulated share in net earnings:		
Balance at beginning of year	**297,431**	281,593
Share in net earnings	**134,424**	83,214
Dividends received	**(86,505)**	(67,376)
Balance at end of the year	**345,350**	297,431
Cumulative share in remeasurement loss on retirement asset:		
Balance at beginning of year	**(6,175)**	(5,091)
Share in remeasurement loss on retirement asset	**–**	(1,084)
Balance at end of the year	**(6,175)**	(6,175)
Share in revaluation increment of land	**207,492**	207,492
	₱674,600	₱626,681

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

Summarized financial information of HPCo are as follows:

	2015	2014
Current assets	**₱760,180**	₱483,565
Noncurrent assets	**935,782**	848,325
Current liabilities	**585,043**	282,006
Noncurrent liabilities	**24,548**	61,795
Net assets	**1,086,371**	988,089
Revenue	**1,688,095**	1,101,015
Net income	**292,059**	192,502

12. Property, Plant and Equipment

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

		2015						
	Note	Buildings and Improvements	Machinery and Equipment	Office Furniture, Fixtures and Equipment	Depot and Storage Facilities	Transportation Equipment	Construction in Progress	Total
Cost								
Balances at beginning of year		₱2,785,580	₱12,316,311	₱105,484	₱–	₱39,385	₱193,909	₱15,440,669
Additions		119,370	61,493	15,961	–	54,307	861,325	1,112,456
Acquisition through business combination	6	339,467	2,709,881	541,119	192,640	6,481	77,500	3,867,088
Retirement and disposals		–	(68,436)	–	–	–	–	(68,436)
Reclassifications		96,692	257,198	6,143	–	2,737	(362,770)	–
Balances at end of year		3,341,109	15,276,447	668,707	192,640	102,910	769,964	20,351,777
Accumulated Depreciation and Amortization								
Balances at beginning of year		1,190,660	6,496,801	96,968	–	38,750	–	7,823,179
Acquisition through business combination	6	66,497	750,809	537,761	52,199	6,343	–	1,413,609
Depreciation and amortization		123,183	657,148	9,115	–	5,441	–	794,887
Retirement and disposals		–	(32,169)	–	–	–	–	(32,169)
Balances at end of year		1,380,340	7,872,589	643,844	52,199	50,534	–	9,999,506
Net Carrying Amount		₱1,960,769	₱7,403,858	₱24,863	₱140,441	₱52,376	₱769,964	₱10,352,271

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

Construction in progress pertains mainly to the on-going plant improvements and rehabilitation of milling and refinery equipment, which are to be completed in the succeeding fiscal year. As at September 30, 2015, the Group has contractual commitment for the on-going construction projects amounting to ₱23.1 million.

The Group has no borrowing cost capitalized in 2015 and 2014. Unamortized capitalized borrowing cost as at September 30, 2015 and 2014 amounted to ₱362.0 million and ₱432.3 million with corresponding deferred tax asset of ₱98.6 million and ₱110.2 million, respectively (see Note 26). The Group amortizes the capitalized borrowing cost over the estimated useful life of the qualifying asset to which it relates.

Depreciation and amortization in 2015, 2014 and 2013 include amortization of software cost of ₱2.3 million, ₱2.6 million and ₱2.6 million, respectively.

The amount of depreciation and amortization is allocated as follows:

	Note	**2015**	2014	2013
Cost of goods sold	22	**₱752,067**	₱627,929	₱627,555
General and administrative expenses	23	**45,168**	52,906	52,094
		₱797,235	₱680,835	₱679,649

In June 2013, certain property and equipment with a carrying amount of ₱22.3 million were damaged due to fire (see Note 23). An insurance claim amounting to ₱40.9 million was received and recognized as other income in 2014 (see Note 25).

As at September 30, 2015 and 2014, fully depreciated property, plant and equipment with an aggregate cost of ₱3,276.4 million and ₱2,646.0 million, are still being used in the operations.

Certain property, plant and equipment with a carrying amount of ₱11,008.0 million were mortgaged and used as collateral to secure the loan obligations with the local banks (see Note 15).

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

	Note	**2015**	2014
At appraised values:			
Balance at beginning of year		**₱3,779,605**	₱2,757,810
Acquisition through business combination	6	**244,953**	–
Reclassification	13	**(5,023)**	19,201
Additions		**1,613**	–
Appraisal increase		**–**	1,002,594
Balance at end of year		**₱4,021,148**	₱3,779,605
At cost		**₱625,533**	₱383,990

Reclassification in 2015 pertains to previously owner-occupied land, which is now held for lease and classified as investment property.

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, 2015 and 2014, the fair value of land is based on the appraised value using a market data approach, as determined by a professionally qualified independent appraiser. The fair value 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 ₱1,002.6 million, with tax of ₱298.5 million in 2014.

13. Investment Properties

Movements in investment properties are as follows:

	Note	**2015**	2014
Balance at beginning of year		**₱205,986**	₱191,838
Acquisition through business combination	6	**96,601**	–
Additions		**3,500**	–
Reclassification	12	**5,023**	(19,201)
Fair value adjustment	25	**–**	33,349
Balance at end of year		**₱311,110**	₱205,986

Investment properties pertain to land of the Parent Company, NAVI, CADPI and SCBI held for rental and capital appreciation.

The agricultural land of NAVI is being leased for a period of four years until September 30, 2015. Rent income from the said investment property amounted to ₱6.3 million, ₱5.6 million and ₱5.3 million in 2015, 2014 and 2013, respectively. Direct operating expenses amounted to ₱0.7 million, ₱0.6 million and ₱0.5 million in 2015, 2014 and 2013, respectively, 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 land has been categorized as Level 2 (directly or indirectly observable inputs). The latest appraisal report was made on various dates in 2014.

14. 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 to 60 days and bear interest ranging from 2.75% to 3.75% and 3.0% to 3.5% in 2015 and 2014, respectively.

In 2015, the loan of SCBI to PBCOM amounting to ₱200.0 million was settled through assignment of trade receivables of SCBI from Petron Corporation (see Note 8).

Total interest expense arising from short-term borrowings amounted to ₱29.2 million, ₱28.1 million and ₱60.3 million in 2015, 2014 and 2013, respectively (see Note 15).

15. Long-term Borrowings

Long-term borrowings consist of loans from:

	2015	2014
Banco De Oro Unibank, Inc. (BDO)	₱3,445,785	₱3,500,175
Bank of the Philippine Islands (BPI)	1,227,079	1,232,000
Syndicated Loan with Development Bank of the Philippines (DBP)	444,319	–
Rizal Commercial Banking Corporation (RCBC)	380,000	380,000
Syndicated Loan with BPI	830	50,000
	5,498,013	5,162,175
Unamortized transaction costs	(17,379)	(18,583)
Current portion	(1,244,649)	(42,241)
Noncurrent portion	₱4,235,985	₱5,101,351

BDO Loan Facilities

	2015	2014
Loan I	₱2,645,000	₱2,645,000
Loan II	800,000	800,000
Others	785	55,175
	₱3,445,785	₱3,500,175

On February 8, 2014, RHI together with CACI and CADPI entered into a facility agreement (Loan I) amounting to ₱3,265.0 million with BDO to refinance substantially the balance of BDO Other Loans amounting to ₱2,645.0 million at the date of refinancing. BDO Other Loans were originally for an aggregate amount ₱6,189.0 million, which were used to finance the Group's Expansion Project and Share Buyback Program of RHI. Loan I is payable in equal quarterly amortizations for seven years beginning 2016 and bears fixed interest of 4.50% for three years and thereafter will be subjected to repricing.

On February 1, 2013, RHI, CADPI and CACI entered into a loan agreement (Loan II) with BDO amounting to ₱800.0 million. Loan II 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.

BPI Loan Facilities

	2015	2014
Loan I	**₱1,227,000**	₱1,227,000
Others	**79**	5,000
	₱1,227,079	₱1,232,000

On May 27, 2014, CADPI and CACI entered into a loan agreement with BPI (Loan I) with an aggregate amount of ₱1,227.0 million, for general funding requirement and partial refinancing of the balance of the Syndicated Loan with BPI and BPI Other Loans amounting to ₱757.0 million and ₱500.0 million, respectively, at the date of refinancing. Loan I 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 I bears a fixed interest of 4.50%, which is subject to change as may be agreed by the parties.

Syndicated Loan with DBP

Details of Syndicated Loan of SCBI with DBP (as the lead bank) and related deferred interest at the date of acquisition (see Note 6) are as follows:

		Deferred Interest	
	Principal	Carrying Value	Fair Value
BDO	₱548,878	₱75,388	₱43,052
China Banking Corporation (CBC)	235,347	32,325	19,656
Land Bank of the Philippines (LBP)	313,531	43,064	43,064
DBP	313,531	43,064	43,064
	₱1,411,287	₱193,841	₱148,836

The Syndicated Loan with DBP is covered by an Omnibus Loan and Security Agreement (OLSA), which was approved by DBP's Financial Institutions Group amounting to ₱1,778.0 million on December 21, 2006 for the purpose of funding SCBI's construction of integrated ethanol distillery and cogeneration power plant.

The Syndicated Loan bears 10.5% annual interest based on drawn amount and 0.75% commitment fee on the undrawn amount. The repayment term is 12 years with two years grace period until 2008. Defaulted principal and interest as at date of acquisition amounting to ₱220.0 million and ₱148.6 million is subject to penalty interest of 24% which is on top of the existing interest rate applicable.

The OLSA undergone various amendments and as at the date of acquisition, the applicable provisions are as follows:

- Amendment of interest rate from 10.5% to 7.5% or sum of 1 year PDSTF plus spread of 1.5%, whichever is higher, effective July 31, 2013. Interest rate shall be fixed for one year and reviewable annually thereafter.
- Deferment of all unpaid interest due aggregating to ₱148.6 million. The total deferred interest should be subject to the amended interest rate and payment be conditionally deferred until May 31, 2019.
- The payment of the principal amortization totaling ₱220.0 million should be conditionally deferred until May 31, 2019.
- Relaxation of the financial ratios required up to November 30, 2014.

Subsequently, on November 4, 2015, SCBI entered into another Amendment Agreement to the OLSA with the following terms:

- Assignment by CBC to RPBC of the CBC loan effective September 21, 2015 and the conversion of the loan from secured to unsecured.
- Reduction of interest rate from 7.5% to 4.5% for BDO and CBC loan effective November 29, 2014 and from 7.5% to 4.0% for DBP and LBP Loan effective January 1, 2015.
- Non-charging of interest on deferred interest on BDO and CBC loan effective November 29, 2014 and on DBP and LBP loan effective January 1, 2015.
- Granting by LBP and DBP of their consent on the redemption of the 388,500 preferred shares amounting to ₱38.9 million held by National Development Corporation (NDC) (see Note 6).
- Full settlement of deferred interest in 2015.

On September 30, 2015, the Group fully settled its long-term borrowings, including the related deferred interest, with BDO and CBC amounting to ₱591.9 million and ₱254.8 million, respectively. The related deferred interest with carrying value amounting to ₱107.7 million as at the date of acquisition was settled at reduced amount of ₱62.7 million.

SCBI is required to maintain various financial ratios in accordance with the OLSA (i.e, debt to equity ratio, debt service coverage ratio and current ratio). As at September 30, 2015, SCBI did not meet the ratios required under the OLSA. Consequently, the remaining loans to DBP and LBP became due and demandable and were classified as current liabilities. On December 4, 2015, SCBI fully settled the loan to DBP and LBP amounting to ₱394.9 million.

The Syndicated Loan with DBP is secured by a real estate mortgage and pledge as follows:

- Land, building, structures, fixtures and machinery and all properties and all equipment owned by SCBI at San Carlos Agro-Industrial Economic Zone, Negros Occidental, including those in transit or work in process, which are permanently incorporated to the said properties;
- All real properties acquired out of the proceeds of the Syndicated Loan with DBP;
- All proceeds of any sales, mortgage or disposition, and the proceeds of insurance on the foregoing properties;
- All properties acquired in replacement of or substitution for any properties described above;
- All rights, benefits and indemnities received by SCBI in lieu of or inherent to or in connection with the properties described above;
- Shares of stock of SCBI, including subscriptions

As at September 30, 2015, the carrying amount of the mortgaged properties amounted to ₱2,668.3 million.

RCBC Loan Facility

On May 27, 2014, CADPI and CACI entered into a new loan agreement with RCBC with an aggregate amount of ₱380.0 million for general funding requirement and partial refinancing of the balance of the Syndicated Loan with BPI amounting to ₱405.0 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 Loan with BPI

	2015	2014
BPI	**₱415**	₱25,000
RCBC	**415**	25,000
	₱830	₱50,000

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.

Loan Payments
Total principal loan payments of the Group amounted to ₱892.7 million and ₱1,673.3 million in 2015 and 2014, respectively.

Interest Expense
Interest ranges from 2.75% to 7.50% and 3.0% to 6.5% in 2015 and 2014, respectively. Interest expense incurred arises from the following borrowings:

	Note	**2015**	2014	2013
Long-term		**₱242,170**	₱286,457	₱330,347
Short-term	14	**29,185**	28,086	60,315
		₱271,355	₱314,543	₱390,662

Suretyship Agreement and Mortgage Trust Indenture (MTI)
In relation with the BDO Loan Facility, 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 with BPI, 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 amount of ₱2.2 billion and ₱3.1 billion as at September 30, 2015 and 2014, respectively; ₱3.5 billion and ₱3.4 billion as at September 30, 2015 and 2014, respectively; and (b) CACI's properties in La Carlota, Negros Occidental with an aggregate carrying amount of ₱3.4 billion and ₱3.2 billion as at September 30, 2015 and 2014, respectively.

In 2011, RBC executed an MTI to secure the loans obtained from BDO. The MTI covers RBC's properties in La Carlota, Negros Occidental with an aggregate carrying amount of ₱1.5 billion and ₱1.4 billion as at September 30, 2015 and 2014, respectively.

Loan Covenants
The foregoing loan agreements, except for the Syndicated Loan with DBP, 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, 2015 and 2014, 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 of RCI in RHI in favor of First Pacific (see Note 1).

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

	2015	2014
Less than one year	**₱1,244,649**	₱42,241
Between one to two years	**379,640**	824,767
Between two to five years	**1,703,235**	1,551,639
Between five to eight years	**2,170,489**	2,743,528
	₱5,498,013	₱5,162,175

16. Trade and Other Payables

This account consists of:

	Note	2015	2014
Trade		**₱813,338**	₱421,333
Customers' deposits		**397,322**	10,669
Accruals for:			
Interest		**35,741**	25,597
Payroll and other employee benefits		**10,836**	15,884
Others		**124,362**	16,732
Due to:			
Related parties	19	**₱110,449**	₱20,437
Planters		**51,330**	8,426
Contractors		**–**	267
Deferred interest	15	**68,407**	–
Payable to government agencies for taxes and statutory contributions		**66,249**	48,642
Cumulative preferred dividend	6	**34,214**	–
Provision for probable losses	28	**16,227**	16,227
Others		**218,200**	42,379
		₱1,946,675	₱626,593

Trade payables are noninterest-bearing and generally settled within 30 to 60 days.

Customer's deposits represent noninterest-bearing cash deposits from customers, which will be applied against future deliveries of refined sugar.

Other accruals primarily pertain to purchased molasses and biomass fuel, which were already received but not yet billed by the suppliers.

Deferred interest pertains to unpaid interest on Syndicated Loan with DBP (see Note 15), which was subsequently settled on December 4, 2015.

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

Other payables include advances from Menarco Holdings, Inc. and MCEI to fund SCBI's working capital requirements amounting to ₱168.9 million, which are noninterest-bearing, unsecured and payable on demand. These entities are the related parties of SCBI before RHI Group acquired SCBI.

17. Retirement Benefits

The Parent Company and its subsidiaries, namely: CACI, CADPI and SCBI, 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:

	2015	2014	2013
Current service cost	**₱41,067**	₱34,201	₱29,124
Adjustment due to curtailment	**2,180**	–	6,219
Net interest cost on net defined liability	**1,614**	10,791	2,616
	₱44,861	₱44,992	₱37,959

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

	2015		
	Cumulative Remeasurement Loss	**Deferred Tax**	**Net**
Balance at beginning of year	**₱195,423**	**₱58,627**	**₱136,796**
Remeasurement loss	**24,681**	**7,404**	**17,277**
Balance at end of year	**₱220,104**	**₱66,031**	**₱154,073**

	2014		
	Cumulative Remeasurement Loss	Deferred Tax	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

Retirement Liabilities
Components of net retirement liabilities of CADPI and SCBI as at September 30, 2015 and of CADPI and CACI as at September 30, 2014 recognized in the consolidated statements of financial position are as follows:

	2015	2014
Present value of defined benefit obligation	**(₱508,529)**	(₱514,087)
Fair value of plan assets	**275,621**	345,197
	(₱232,908)	(₱168,890)

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

	2015	2014
Balance at beginning of year	**(₱168,890)**	(₱225,945)
Retirement benefits	**(51,269)**	(42,052)
Retirement obligation of newly acquired subsidiary	**(17,673)**	–
Return on plan assets recognized in other comprehensive income	**16,817**	59,761
(Forward)		
Reclassification of retirement asset (liability)	**(₱16,265)**	₱3,289
Actuarial gain	**9,104**	–
Remeasurement gain (loss) recognized in other comprehensive income	**(6,960)**	23,026
Benefits paid	**2,228**	–
Contributions paid	**–**	13,031
Balance at end of year	**(₱232,908)**	(₱168,890)

Retirement Assets
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.

This pertains to plan assets of the Parent Company and CACI as at September 30, 2015 and of the Parent Company as at September 30, 2014. The changes in retirement assets recognized in the consolidated statements of financial position are as follows:

	2015	2014
Balance at beginning of year	**₱134,901**	₱–
Remeasurement gain (loss) recognized in other comprehensive income	**(43,642)**	141,130
Reclassification of retirement asset (liability)	**16,265**	(3,289)
Retirement benefits income (expense)	**6,408**	(2,940)
Balance at end of year	**₱113,932**	₱134,901

Changes in the Present Value of the Defined Benefit Obligation

	2015	2014
Balance at beginning of year	**₱514,087**	₱510,523
Adjustment due to curtailment	**(78,133)**	–
Retirement benefits	**65,486**	57,593
Retirement obligation of newly acquired subsidiary	**17,673**	–

Actuarial gain	**(9,104)**	–
Benefits paid	**(2,228)**	(5,488)
Remeasurement loss (gain) recognized in other comprehensive income	**748**	(8,389)
Settlements	**–**	(40,152)
Balance at end of year	**₱508,529**	₱514,087

Changes in the Fair Value of Retirement Plan Assets

	2015	2014
Balance at beginning of year	**₱480,098**	₱284,578
Adjustment due to curtailment	**(80,314)**	–
Remeasurement gain recognized in other comprehensive income	**(49,853)**	–
Interest income on plan asset	**22,805**	12,601
Return on plan assets recognized in other comprehensive income	**16,817**	215,528
Benefits paid	**–**	(5,488)
Contributions paid	**–**	13,031
Settlements	**–**	(40,152)
Balance at end of year	**₱389,553**	₱480,098

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:

	2015	2014
Cash and cash in banks	**11.08%**	15.50%
Receivables	**55.71**	26.07
AFS financial assets	**49.18**	47.03
Investments in properties	**12.19**	11.38
Investments in government securities	**12.09**	–
Prepayments	**–**	0.02
Accrued trust and other payables	**(40.25)**	–
	100.00%	100.00%

The principal assumptions used in determining the retirement assets and liabilities of the Group are shown below:

	Discount Rate		Salary Increase Rate	
	2015	2014	**2015**	2014
CADPI	**4.70**	4.75	**4.00**	4.00
CACI	**4.80**	4.75	**4.00**	4.00
RHI	**4.75**	4.75	**4.00**	4.00
SCBI	**4.75**	4.75	**5.00**	5.00

CADPI and CACI are expected to contribute a total of ₱42.0 million to their respective retirement funds for the year ending September 30, 2016.

The sensitivity analysis based on reasonably possible changes of the assumptions as at September 30, 2015 is as follows:

	Change in Assumption	Effect on Retirement Assets/ Liabilities
Discount rate	+1%	(₱23,023)
	-1%	27,844

	Change in Assumption	Effect on Retirement Assets/ Liabilities
Salary Rate	+1%	₱16,653
	-1%	(14,475)

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.

18. Equity

a. Capital stock and treasury stock

Details of capital stock and treasury stock follow:

	2015		2014	
	Number of Shares	**Amount** *(in Thousands)*	Number of Shares	Amount *(in Thousands)*
Authorized – common shares "Class A" at ₱1.0 par value	**1,500,000,000**	**₱1,500,000**	1,500,000,000	₱1,500,000

Issued:				
Balance at beginning of year	**1,168,976,425**	**₱1,168,976**	1,168,976,425	₱1,168,976
Issuances	**312,459**	**313**	–	–
Balance at end of year	**1,169,288,884**	**1,169,289**	1,168,976,425	1,168,976
Treasury stock				
Balance at beginning of year	**(259,424,189)**	**(768,860)**	(259,424,189)	(768,860)
Issuances	**241,780,709**	**716,570**	–	–
Balance at end of year	**(17,643,480)**	**(52,290)**	(259,424,189)	(768,860)
Issued and outstanding	**1,151,645,404**	**₱1,116,999**	909,552,236	₱400,116

In 2015, RHI issued 312,459 common shares pertaining to the exercise of share options of employees under first ESOP. There was no share options exercised in 2014 (see Note 20).

The reacquired shares of RHI under its Share Buy Back Program totaled to 259,424,189 shares at cost of ₱768.9 million. In 2015, RHI issued 241,780,709 treasury shares at ₱7.0 a share aggregating to ₱1,692.5 million. The transactions incurred issuance costs amounted to ₱12.3 million, which were accounted for as a reduction in additional paid-in capital. There were no reacquisitions and issuances of treasury shares in 2014.

b. Additional paid-in capital

Details of movements in additional paid-in capital are as follows:

	Note	2015	2014	2013
Balance at beginning of year		**₱574,913**	₱556,951	₱554,960
Issuance of treasury stock in excess of cost, net of transaction cost		**963,561**	–	–
Vested employee stock options				
CADPI		**27,872**	14,436	409
RHI	20	**5,123**	1,410	1,425
RBC		**1,596**	1,055	48
CACI		**462**	1,061	109
Excess of exercise price of stock options over par value		**466**	–	–
		₱1,573,993	₱574,913	₱556,951

a. Other equity reserves

Details of other equity reserves follow:

	Note	2015	2014	2013
Revaluation Increment on Land	12			
Balance at beginning of year		**₱2,476,063**	₱1,734,341	₱1,734,341
Appraisal increase, net of tax		**–**	704,122	–
Effect of change in tax rate on beginning balance		**–**	37,600	–
Balance at end of year		**2,476,063**	2,476,063	1,734,341
Cumulative Remeasurement Loss on Net Retirement Assets and Liabilities	17			
Balance at beginning of year		**(136,796)**	(293,538)	(108,991)
Remeasurement gain (loss), net of tax		**(17,277)**	156,742	(184,547)
Balance at end of year		**(154,073)**	(136,796)	(293,538)
Excess of Consideration Received over Carrying Amount of Net Assets of a Subsidiary Transferred to the Parent Company	18			
Balance at beginning and end of year		**577,148**	577,148	577,148
Effect of Change in Equity Interest in Subsidiaries	18			
Balance at beginning and end of year		**44,567**	44,567	44,567
Share in Revaluation Increment on Land of an Associate	11			
Balance at beginning and end of year		**207,492**	207,492	207,492
Cumulative Share in Remeasurement Loss on Retirement Asset of an Associate	11			
Balance at beginning of year		**(6,175)**	(5,091)	(6,043)
Share in remeasurement gain (loss) on retirement asset of an associate		**–**	(1,084)	952
Balance at end of year		**(6,175)**	(6,175)	(5,091)
		₱3,145,022	₱3,162,299	₱2,264,919

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

Following the Reorganization Program as approved by the SEC on December 11, 2001, RHI was transformed into a holding and investment corporation with specific focus on sugar milling and refining business, while its subsidiary, CADP Group Corporation (CADPGC), emerged as a diversified holding and investment company. In 2008, RHI increased its equity interest in CADPGC from 89.28% to 89.36% when CADPGC re-acquired portion of its shares of stock. On December 11, 2008, RHI acquired CADPGC's sugar-related operating subsidiaries: CADPI, CACI, CFSI, CCSI, JOMSI and NAVI and an associate (HPCo), including certain assets and liabilities of CADPGC for a total consideration of ₱3,838.0 million.

On December 11, 2008, RHI acquired on account 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 these 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 of the acquisition, RHI increased its effective equity interest in the sugar-related operating subsidiaries and an associate.

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 RCI with a carrying value of ₱2,604.3 million in exchange for a noninterest-bearing note of ₱3,927.3 million, which was issued by RCI to the Company. RHI recognized the ₱1,323.0 million excess of the consideration received from RCI over the carrying amount of investment in shares of stock of CADPGC and was presented as a separate component of the equity.

On April 14, 2014, CFSI, CCSI and JOMSI were merged with CADPI, as the surviving entity.

b. Track record of registration

On March 16, 1994, the Parent Company registered with the 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 ₱1.0 a share equivalent to ₱1,000,000,000, and representing the entire capital stock of the Parent Company. Moreover, the 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 ₱3.0 a share.

On September 4, 1995, the SEC licensed the sale or offer for sale of 174,400,000 shares in an initial public offering at an offer price between ₱5.0 to ₱8.0 a share. The said shares consist of 100.0 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 dividend 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 dividend at the rate of 30%, consisting of 225,322,500 common shares at ₱1.0 a share, payable to stockholders of record as at February 15, 2000.

On January 30, 2003, the 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 ₱1.0 a share or total of 192,779,459 common shares, were fully paid through the declaration of stock dividend 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 ₱281.0 a share, representing the 20% stock dividend declaration discussed in the foregoing. 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. Retained earnings

Retained earnings not available for dividend declaration

	Note	**2015**	2014
Treasury stock		**₱52,290**	₱768,860
Retirement assets, net of deferred tax	17	**79,752**	94,431
		₱132,042	₱863,291

Further, retained earnings include accumulated earnings of the subsidiaries amounting to
₱274.8 million and ₱297.4 million as at September 30, 2015 and 2014, 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 19, 2015	₱0.12	₱138,198	September 4, 2015	September 25, 2015
December 17, 2014	0.12	109,146	December 22, 2014	January 15, 2015
		₱247,344		
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
		₱163,719		
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
		₱90,954		

d. 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, 2014 through September 30, 2015		
First	₱6.94	₱6.75
Second	6.80	6.66
Third	6.39	6.24
Fourth	5.78	5.47
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

Quarter	High	Low
Third	3.27	2.50
Fourth	3.06	2.30

19. **Related Party Transactions and Balances**

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

Related Party	Relationship	Nature of Transaction	Year	Transactions during the Year	Net Amount Due from Related Parties (see Note 8)	Net Amount Due to Related Parties (see Note 16)
CADP Retirement Fund, Inc. (CADPRFI)	Retirement Fund of CADPI	Noninterest-bearing advances payable on demand	**2015**	**₱20,781**	**₱32,382**	**₱20,781**
			2014	32,601	37,359	–
RHI Retirement Fund, Inc. (RHIRFI)	Retirement Fund of RHI	Noninterest-bearing advances payable on demand	**2015**	**35,279**	**–**	**55,716**
			2014	33,943	141	20,437
CACI Retirement Fund, Inc. (CACIRFI)	Retirement Fund of CACI	Noninterest-bearing advances payable on demand	**2015**	**33,952**	**–**	**33,952**
			2014	33,945	33,947	–
			2015		**₱32,382**	**₱110,449**
			2014		71,447	20,437

a. 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 benefit plan. As at September 30, 2015 and 2014, advances to RHIRFI, CADPRFI and CACIRFI are included in "Trade and other receivables" account.

b. 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.

c. RCBC, a creditor of CADPI and CACI, owns 34.5 million shares or 2.99% and 3.79% interest in RHI as at September 30, 2015 and 2014, respectively.

Outstanding balances of transactions with related parties at yearend are unsecured and settlements are made in cash. The Company did not recognize any provision for impairment loss in 2015 and 2014. This assessment is undertaken each financial year by reviewing the financial position of the related party and the market in which the related party operates.

Key management personnel compensation:

	Note	**2015**	2014	2013
Salaries and wages and other short-term benefits		**₱174,186**	₱107,717	₱52,044
Employee stock option	21	**12,981**	12,939	1,529
		₱187,167	₱120,656	₱53,573

20. **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:

	2015	2014	**2015**	2014
Balance at beginning of year	**25,507,009**	24,621,494	**27,960,113**	–
Forfeited or expired	**(700,975)**	(1,761,214)	**(1,266,049)**	–
Exercised	**(312,459)**	–	**–**	27,960,113
Granted	**–**	2,646,729	**–**	–
Balance at end of year	**24,493,575**	25,507,009	**26,694,064**	27,960,113
Exercisable at end of year	**9,797,430**	5,101,390	**5,338,813**	–

In 2015, RHI issued 312,459 common shares pertaining to the exercise of share options of employees under ESOP 1. The weighted-average share price at the date of exercise for share options under the first ESOP in 2015 was ₱2.49. There was no exercise of share options in 2014.

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 is 1.71 years and 1.56 years as at September 30, 2015 and 2014, respectively.

The employee stock option expense recognized for employee services received amounted to ₱35.1 million, ₱18.0 million and ₱2.0 million in 2015, 2014 and 2013, respectively, presented as part of "Salaries, wages and other employee benefits" account.

21. Revenue

The components of revenue are as follows:

	2015	2014	2013
Sale of:			
Refined sugar	**₱2,518,987**	₱3,618,592	₱3,728,423
Alcohol	**2,367,878**	1,918,573	375,104
Raw sugar	**2,247,077**	2,336,308	1,577,317
Molasses	**646,829**	376,286	363,763
Liquid sugar	**38,336**	–	–
Tolling fees	**381,586**	66,959	19,246
Others	**7,703**	–	875
	₱8,208,396	₱8,316,718	₱6,064,728

22. Cost of Goods Sold

	Note	**2015**	2014	2013
Direct materials used	9	**₱3,207,261**	₱3,921,591	₱1,604,554
Planters' subsidy and productivity assistance		**1,025,722**	871,755	846,307
Depreciation and amortization	12	**752,067**	627,929	627,555
Fuel and oil		**771,189**	284,276	290,320
Salaries, wages and other employee benefits	24	**354,885**	286,434	301,663
Repairs and maintenance		**282,076**	216,301	156,435
Materials and consumables		**243,143**	207,584	233,984
Taxes and licenses		**131,871**	176,173	77,827
Communication, light and water		**130,425**	98,461	77,875
Rent		**102,568**	90,787	60,713
Outside services		**68,786**	47,660	120,833
Insurance		**49,512**	40,728	25,780
Provision for inventory losses and obsolescence	9	**7,271**	–	12,114
Hauling		**–**	212	1,806
Others		**37,409**	12,800	12,388
		₱7,164,185	₱6,882,691	₱4,450,154

23. Operating Expenses

General and Administrative Expenses

The components of general and administrative expenses are as follows:

	Note	2015	2014	2013
Salaries, wages and other employee benefits	24	**₱389,742**	₱240,643	₱193,763
Taxes and licenses		**180,950**	54,461	95,529
Outside services		**102,782**	159,650	109,261
Depreciation and amortization	12	**45,168**	52,906	52,094
Materials and consumables		**36,348**	26,744	25,356
Insurance		**34,871**	33,743	27,774
Travel and transportation		**27,523**	11,753	6,517
Rent		**14,422**	19,930	22,894
Corporate social responsibility		**13,427**	12,832	11,043
Communication, light and water		**10,599**	10,634	10,373
Repairs and maintenance		**10,798**	10,395	8,079
Representation and entertainment		**3,394**	2,549	1,953
Provision for impairment losses on receivables	8	**1,386**	116	6,236
Loss on property and equipment due to fire	12	**–**	–	22,305
Reversal for allowance of impairment losses on receivables		**–**	(40,018)	–
Provision for inventory losses and obsolescence	9	**–**	–	1,430
Others		**160,587**	135,564	28,939
		₱1,031,997	₱731,902	₱623,546

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 ₱31.9 million, ₱24.0 million and ₱40.4 million in 2015, 2014 and 2013, respectively representing mandatory fees paid to various regulatory agencies prior to sale of sugar.

24. **Personnel Costs**

Personnel costs include:

	Note	2015	2014	2013
Salaries, wages, allowances and other employee benefits		**₱664,713**	₱464,124	₱455,476
Retirement benefits	17	**44,861**	44,992	37,959
Employee stock option	20	**35,053**	17,961	1,991
		₱744,627	₱527,077	₱₱495,426

The amount of personnel costs are allocated as follows:

	Note	2015	2014	2013
Cost of goods sold	22	**₱354,885**	₱286,434	₱301,663
General and administrative expenses	23	**389,742**	240,643	₱193,763
		₱744,627	₱527,077	₱495,426

25. Other Income (Charges)

This account consists of:

	Note	2015	2014	2013
Storage, handling and insurance fees		**₱51,878**	₱39,804	₱28,280
Sales of scrap		**15,301**	21,715	1,998
Rent income		**6,649**	7,695	6,625
Interest income	7	**2,558**	1,123	2,386
Net unrealized foreign exchange gains (losses)		**(183)**	2,284	(606)
Recovery from insurance claims	12	**–**	40,903	–
Reversal of long-outstanding payables		**–**	80,681	–
Unrealized gain on fair value adjustment of investment properties	13	**–**	33,349	–
Income from performance bank guarantee		**–**	–	62,834
Others		**8,157**	1,962	6,163
		₱84,360	₱229,516	₱107,680

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 pertain mainly to income from Absorbed Companies and replenishment fees in 2014.

26. Income Taxes

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

		2015		2014	
	Note	**Net Deferred Tax Assets**[1]	**Net Deferred Tax Liabilities**[2]	Net Deferred Tax Assets	Net Deferred Tax Liabilities
Deferred tax assets on:					
Customer's deposits		**₱119,196**	**₱–**	₱–	₱–
Retirement liabilities	17	**64,571**	**566**	50,333	334
NOLCO		**51,746**	**12,873**	11,223	–
Unamortized past service cost		**47,136**	**–**	43,127	17,704
Allowance for:					
Impairment losses of receivables	8	**22,411**	**–**	14,769	7,235
Inventory losses and obsolescence	9	**5,951**	**–**	196	3,736
Impairment loss on CWT		**3,663**	**–**	–	3,663
Various accruals		**18,654**	**2,697**	7,956	11,029
Employee stock option		**13,584**	**2,387**	4,501	1,274
Excess MCIT		**6,119**	**5**	30,243	–
		353,031	**18,528**	162,348	44,975
Deferred tax liabilities on:					
Unamortized capitalized interest	12	**(98,645)**	**–**	(86,982)	(23,180)
Revaluation increment on land		**(59,409)**	**(1,026,577)**	–	(1,009,157)
Retirement assets	17	**(4,879)**	**(29,300)**	–	(40,470)
Unamortized transaction cost		**(1,775)**	**(67)**	(3,188)	(2,386)
Share of non-controlling interest on revaluation increment on land		**–**	**–**	–	(17,003)
Unrealized gain on fair value adjustment on investment property	13	**–**	**–**	–	(10,005)
		(164,708)	**(1,055,944)**	(90,170)	(1,102,201)
Net deferred tax assets (liabilities)		**₱188,323**	**(₱1,037,416)**	₱72,178	(₱1,057,226)

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

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

	2015	2014
Allowance for impairment losses of receivables	**₱5,973**	₱5,947
Provision for inventory losses and obsolescence	**4,293**	3,751
Preoperating expenses	**617**	617
NOLCO	**–**	12,069
Excess MCIT	**–**	77
	₱10,883	₱22,461

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

Year Incurred	Balance as at September 30, 2014	Additions	Applied	Expired	Balance as at September 30, 2015	Available Until
Recognized:						
September 30, 2015	₱–	₱215,395	₱–	₱–	₱215,395	September 30, 2018
September 30, 2014	37,409	–	37,409	–	–	September 30, 2017
	37,409	215,395	37,409	–	215,395	
Unrecognized:						
September 30, 2014	1,313	–	–	1,313	–	September 30, 2017
September 30, 2012	10,756	–	–	10,756	–	September 30, 2015
	12,069	–	–	12,069	–	
	₱49,478	₱215,395	₱37,409	₱12,069	₱215,395	

MCIT

Year Incurred	Balance as at September 30, 2014	Additions	Applied	Expired	Balance as at September 30, 2015	Available Until
Recognized:						
September 30, 2015	₱–	₱6,119	₱–	₱–	₱6,119	September 30, 2018
September 30, 2014	20,722	–	20,722	–	–	September 30, 2017
September 30, 2012	9,521	–	9,521	–	–	September 30, 2015
	30,243	6,119	30,243	–	6,119	
Unrecognized:						
September 30, 2013	6	–	–	6	–	September 30, 2016
September 30, 2012	71	–	–	71	–	September 30, 2015
	77	–	–	77	–	
	₱30,320	₱6,119	₱30,243	₱77	₱6,119	

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

	2015	2014	2013
Income tax expense (benefit) at statutory tax rate	**(₱21,690)**	₱202,882	₱220,596
Tax effects of:			
Deficit (excess) of income over expense subject to income tax holiday (ITH)	**(63,227)**	(100,575)	₱11,699
Share in net earnings of an associate	**(40,327)**	(24,964)	(20,291)
Nondeductible expenses	**25,829**	5,761	13,208
Effect of 5% statutory tax rate of SCBI	**(7,348)**	–	–
Interest subject to final tax	**(390)**	(136)	(460)
Unallowable interest expense	**40**	38	167
Nontaxable income	**–**	(33,992)	–
Nondeductible unrealized gross profit on inventories	**–**	–	12,957
Adjustments resulting from:			
Derecognition of deferred tax assets	**–**	80,436	–
Effect of change in tax rate	**–**	(52,329)	–
Effect of 10% statutory tax rate of RBC		(11,163)	
Application of MCIT	**–**	–	20,571
Others	**16,262**	(5,030)	(8,231)
Income tax expense (benefit)	**(₱90,851)**	₱60,928	₱250,216

The current income tax expense of the Group in 2015 and 2014 pertains to RCIT, or MCIT, whichever is higher, except for RBC and SCBI, which are entitled to income tax holiday (ITH) and 5% gross income tax, respectively.

d. Registration with the Board of Investments (BOI) of RBC

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 is unused;
- 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.

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 ₱213.0 million and ₱100.6 million in 2015 and 2014, respectively. There is no tax incentives availed in 2013.

e. Income Tax Regime of SCBI

SCBI is registered with the Philippine Economic Zone Authority (PEZA) as an Agro-industrial Ecozone Enterprise under Registration Certificate No.09-01-AI dated September 23, 2009.

The following are the mutual covenants and undertaking of SCBI pursuant to Registration Agreement with the PEZA:

i. The registration as an Agro-Industrial Ecozone Enterprise entitles SCBI to conduct and operate its business inside the San Carlos Ecozone.

ii. The scope of SCBI's registered activity is limited to the production of bioethanol fuel and its by-products, power/electricity, carbon dioxide, and carbon emission reduction (known as carbon credits) and importation of raw materials, machinery, equipment, tools, goods, wares, articles or merchandise directly used in its registered operations at the San Carlos Ecozone.

iii. SCBI is not entitled to a separate ITH incentive. The incentives entitlement of SCBI is the remaining ITH period granted in its registration with the BOI until December 2014. Upon expiry of the ITH under BOI registration, SCBI is entitled to the 5% Gross Income Tax (GIT) incentive, in lieu of paying of all local and national internal revenue taxes, and other incentives under Article 77, Book VI of E.O. No. 226.

The PEZA approved SCBI's amendment in its registered activity to include the production of syrup from sugarcane, which will be subjected to 5% gross income tax, until October 1, 2015. The results of operations from said registered product thereafter is subjected to national taxes.

27. Earnings per Share

Earnings per share is computed as follows:

	2015		2014		2013	
	Basic	**Diluted**	Basic	Diluted	Basic	Diluted
Net income attributable to the equity holders of the Parent Company (a)	**₱10,832**	**₱10,832**	₱611,937	₱611,937	₱485,337	₱485,337
Outstanding common shares at beginning of year	**909,552**	**909,552**	909,552	909,552	909,552	909,552
Sale of Treasury shares	**241,781**	**241,781**	–	–	–	–
Exercise of share options	**312**	**312**	–	–	–	–
Outstanding common shares at ending of year	**1,151,645**	**1,151,645**	909,552	909,552	909,552	909,552
Average incremental number of shares under ESOP	**–**	**34,784**	–	20,431	–	5,471
Weighted average number of common shares outstanding (b)	**1,151,645**	**1,186,429**	909,552	929,983	909,552	915,023
Earnings per share (a/b)	**₱0.01**	**₱0.01**	₱0.67	₱0.66	₱0.53	₱0.53

28. Commitments and Contingencies

a. Milling Contracts

CACI and CADPI (the "Mills") have milling contracts with the planters, which provide for a 35% and 65% sharing between the Mills and the planters, respectively, of sugar, molasses and other sugar cane by-products, excluding bagasse, produced every crop year.

In June 2015, milling contracts of CADPI with the planters were revised to provide for a 33% and 67% sharing between CADPI and the planters, respectively. This agreement is effective until crop year 2016 to 2017. Renewal is upon mutual consent of both parties thereafter.

SCBI has an existing Memorandum of Agreement and Milling Contract with Sagay Central Inc. (SCI) on April 17, 2011, wherein SCI agreed to purchase SCBI's sugar syrup starting April 17, 2011 until the crop year 2014. The agreement was not renewed but is still in effect for the crop year 2015. SCBI's share of sugar syrup is sold to SCI at an agreed price. Total revenue earned from this contract amounted to ₱36.9 million in 2015.

b. The Group has in its custody the following raw and refined sugar owned by third parties:

	2015		2014	
	Total Volume *(in Thousands) (LKg*)*	**Estimated Market Value** *(Amounts in Millions)*	Total Volume *(in Thousands) (LKg*)*	Estimated Market Value *(Amounts in Millions)*
Raw sugar	**497**	**₱770**	800	₱1,099
Refined sugar	**440**	**880**	–	–

**Equivalent to 50 kilogram bag unit.*

The foregoing volume of sugar is not reflected in the consolidated statements of financial position since these are not considered as assets of the Group. The Group is accountable to these third parties for the value of trusteed sugar or their sales proceeds.

c. Sales Contracts

CADPI and RBC entered into various sales contracts with its major customers for the sale of raw sugar, refined sugar and molasses. Outstanding sales contracts for refined sugar amounted to ₱1,362.0 million for 679,258 lkg bags, ₱1,205.3 million for 673,212 lkg bags, and ₱1,109.8 million for 597,974 lkg bags as at September 30, 2015, 2014 and 2013, respectively, and ₱0.1 million for 500 liters, ₱71.7 million for 1,449,000 liters and ₱60.2 million for 1,254,000 liters for anhydrous alcohol as at September 30, 2015, 2014 and 2013, respectively.

d. Leases

I. The Group has various lease agreements for a period of one year covering heavy loading equipment and service vehicles with various trucking and heavy equipment service companies, which are used in transloading, hauling and other milling operations. The lease agreements are renewable annually upon mutual consent of both parties. Rent expense amounted to ₱117.0 million, ₱109.2 million and ₱79.7 million in 2015, 2014 and 2013, respectively.

II. 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 nil in 2015 and 2014 and ₱4.0 million in 2013, respectively.

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 is for four years commencing in crop year 2011-2012 and ending in crop year 2014-2015. 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 delivers 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. Outstanding deposit from the lessee amounted to ₱0.5 million as at September 30, 2015 and 2014 (included under "Trade and other payables" in the consolidated statements of financial position).

Future minimum rent receivable under the foregoing lease agreements as at September 30, 2015 and 2014 are as follows:

	2015	2014
Within one year	**₱6,295**	₱7,453
After one year but not more than five years	**1,126**	–
	₱7,421	₱7,453

e. Hauling Services Contracts

The Group has an agreement for hauling services for the transport of sugarcane from the plantations to milling facilities. Related hauling expenses, which are presented as part of "Planters' subsidy and productivity assistance" account under "Cost of goods sold", amounted to ₱1,025.7 million, ₱871.8 million and ₱846.3 million in 2015, 2014 and 2013, respectively (see Note 22).

f. Emission Reduction Purchase Agreement (ERPA)

On January 14, 2009, RBC and World Bank Group signed a $3.2 million 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 with a crediting period of 10 years starting 2010. As part of the ERPA, portion of the revenue for the purchase of the credits will be used to finance the RBC's community development projects.

g. Fuel Ethanol Supply Agreement (FESA)

SCBI has an existing FESA with Petron Corporation, wherein SCBI will exclusively supply fuel ethanol from the integrated ethanol distillery to Petron Corporation for a period of 10 years until 2017. The pricing, delivery, acceptance and payment terms are set out in the FESA.

h. Biomass Fuel Supply Agreements

These agreements were entered by SCBI with Valmayor Ventures, Inc., Ledesma Hermanos Agricultural Corporation (LHAC) and Gamboa Hermanos Farmers Beneficieries Multipurpose Cooperative (GHFBMC) on September 16, 2005. Each of the agreements has a term of 15 years and was made to ensure the continuous supply of cane for the efficient operations of the integrated ethanol distillery. The agreement sets out the terms and conditions related to cane source, cane quantity, cane quality, delivery and acceptance, delivery schedule, delivery system, acceptance of delivery, quality measurement, quantity measurement, right of access and inspection, delivery measurement procedure and price and pricing mechanisms.

i. Water Supply Contract

SCBI has an existig Water Supply Contract with San Julio Realty, Inc. (SJRI) for the supply of the latter of raw, untreated water to the integrated ethanol distillery and cogeneration power plant from its existing deep well, which subsequently assigned by SJRI to San Carlos Land, Inc.

This contract is for a period of 25 years, renewable upon mutual agreement between the parties unless sooner terminate in accordance with certain provisions in the contract.

j. Certified Emission Reductions Purchase Agreement

SCBI entered into an agreement with EDF Trading Limited (the "Buyer"), a company organized under the laws of England on January 10, 2008, to sell Certified Emission Reductions (CERs) that will be generated from the cogeneration power plant of SCBI. CER is the technical term for the output of Clean Development Mechanism projects, as defined by the Kyoto Protocol. It is a unit of Greenhouse Gas reductions that has been generated and certified under the provisions of Article 12 of the Kyoto Protocol.

The obligation of SCBI under this agreement is to sell and deliver the contract volume while the Buyer will purchase such contract volume conditional upon (a) Clean Development Mechanism Executive Board approval and inclusion of the Buyer as a project participant (by inclusion of the Modalities of Communication by March 31, 2008) and (b) commissioning of the Project not later than March 31, 2009.

If the conditions referred in the foregoing have not been met by the dates specified for each condition (each a "Long Stop Date"), the Buyer may terminate this agreement. In the event that the Buyer exercises such right to terminate this agreement, this agreement shall stand terminated immediately and neither party shall have any liability to the other upon such termination. However, in the event that the Buyer does not exercise its right to terminate this agreement, the Long Stop Date of the relevant condition shall be delayed by five months or such earlier date as may be specified by the Buyer to the Company (each "Revised Long Stop Date") by written notice within 30 days of the relevant Long Stop Date. If the conditions precedents above have not been met by the relevant Revised Long Stop Date, SCBI shall have the right to terminate this agreement and neither party shall have any liability to the other upon such termination.

k. Rectified Spirits Supply Agreement (RSSA)

SCBI has an existing RSSA with Distileria Bago, Inc. (DBI) for sale to purchase heads and tails rectified spirits (HTRS) to produce anhydrous bioethanol to Petron Corporation. The agreement will be terminated upon mutual consent of the parties. Total purchases of HTRS from DBI amounted to ₱16.0 million in 2015.

l. Liquid CO2 Recovery Plant and Exclusive Marketer Agreement with Philippine Industrial Carbonics Incorporated (PICI)

SCBI entered into an agreement with PICI on November 15, 2013 to construct and operate within the compound of SCBI a CO2 Recovery Plant with a rated maximum capacity of 48 tons of CO2 per day. The Recovery Plant will include a storage area with all the essential implements and equipment for product handling and all structures necessary for operations including the provision of office, repair shop and laboratory place.

PICI pays SCBI a fixed purchase price of ₱2.50 per kilogram (inclusive of VAT) on good quality Liquid CO2 based on the net weight loaded into the transport tankers or lorries. The total amount is based on the Liquid CO2 recovered by PICI based on the rated maximum capacity of 48 tons per day of the Recovery Plant and the actual purity of the Raw CO2 Gas from the Company's Bioethanol Distillery Plant.

The construction of Recovery Plant was completed in November 2015.

m. Memorandum of Agreements

On February 11, 2014, SCBI entered into Memorandum of Agreements with LHAC and GHFBMC to allow SCBI to dispose its wastewater thru fertilization in their sugarcane field for one month or until the 6,000 MT of wastewater had fertilized the 20 hectares of the cane fields. SCBI will pay ₱25,000 per hectare of field utilized for fertilization, net of all related taxes. The agreements were still in effect as at September 30, 2015.

n. Unused Credit Lines

The Group has unused lines of credit with various local banks amounting to ₱2,386.0 million and ₱3,381.0 million as at September 30, 2015 and 2014, respectively.

o. Contingencies

The Group has several pending claims and assessments. The ultimate outcome of which, based on management's and legal counsel's opinion, will not have a material impact on the consolidated statements of financial position and the consolidated statement of comprehensive income, except for certain disputed claims.

Outstanding provision for losses for disputed claims and assessments amounted to ₱16.2 million as at September 30, 2015 and 2014, presented under "Trade and other payables" account (see Note 16).

29. Financial Instruments

Financial Risk Management Objectives and Policies
The Group's principal financial instruments comprise of cash in banks, 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 in banks 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.

	2015						
	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*	**₱2,219,976**	**₱1,052,526**	**₱–**	**₱–**	**₱–**	**₱–**	**₱3,272,502**
Trade and other payables**	**1,405,594**	**458,605**	**–**	**–**	**–**	**–**	**1,864,199**
Current portion of long-term borrowings*	**–**	**1,195,274**	**–**	**–**	**–**	**–**	**1,195,274**
Noncurrent portion of long-term borrowings*	**–**	**114,454**	**272,849**	**821,386**	**1,061,257**	**1,098,414**	**3,368,360**
	₱3,625,570	**₱2,820,859**	**₱272,849**	**₱821,386**	**₱1,061,257**	**₱1,098,414**	**₱9,700,335**
Cash in banks and cash in banks	**₱199,277**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱199,277**
Trade receivables***	**536,547**	**483,924**	**–**	**–**	**–**	**–**	**1,020,471**
Due from planters and cane haulers***	**54,632**	**39,043**	**–**	**–**	**–**	**–**	**93,675**
Due from employees***	**8,339**	**7,779**	**37,787**	**–**	**–**	**–**	**53,905**
Due from related parties	**32,382**	**–**	**–**	**–**	**–**	**–**	**32,382**
Other receivables***	**11,031**	**11,172**	**12,110**	**–**	**–**	**–**	**34,313**
	₱842,208	**₱541,918**	**₱49,897**	**₱–**	**₱–**	**₱–**	**₱1,434,023**

**Includes expected future interest payments for short-term and long-term borrowings amounting to ₱3.9 million and ₱917.0 million, respectively.*

*** Excludes payables to government agencies amounting to ₱66.2 million and provision for losses amounting to ₱16.2 million.*

****Net of related allowances for impairment losses totaling ₱80.7 million.*

	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	83,525	–	–	–	–	577,947
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	₱1,067,886	₱1,367,216	₱789,495	₱1,318,734	₱2,650,581	₱7,688,334
Cash in banks and cash in banks	₱102,077	₱–	₱–	₱–	₱–	₱–	₱102,077
Trade receivables***	623,502	320,787	–	–	–	–	944,289
Due from planters and cane haulers***	18,207	3,101	–	–	–	–	21,308
Due from employees***	22,730	9,147	–	–	–	–	31,877
Due from related parties	58,803	12,502	142	–	–	–	71,447
Other receivables***	4,083	10,426	–	–	–	–	14,509
	₱829,402	₱355,963	₱142	₱–	₱–	₱–	₱1,185,507

**Including expected future interest payments for short-term and long-term borrowings amounting to ₱3.6 million and ₱1,224.1 million, respectively.*

*** Excludes payables to government agencies amounting to ₱48.6 million and provision for losses amounting to ₱16.2 million.*

****Net of related allowances for impairment losses totaling ₱79.3 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.

	2015	2014
Cash in banks and cash in banks	**₱199,277**	₱102,077
Trade receivables*	**1,020,471**	944,289

Due from planters and cane haulers	**93,675**	21,308
Due from employees*	**53,905**	31,877
Due from related parties	**32,382**	71,447
Other receivables*	**34,313**	14,509
	₱1,434,023	₱1,185,507

**Net of allowance for impairment losses totaling ₱80.7 million and ₱79.3 million in 2015 and 2014, respectively.*

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, 2015 and 2014, 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. 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.

	2015							
	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	**₱199,277**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱199,277**
Trade receivables	**123,056**	**237,630**	**–**	**181,257**	**321,718**	**156,810**	**39,246**	**1,059,717**
Due from planters and cane haulers	**–**	**56,728**	**–**	**22,257**	**14,690**	**–**	**16,428**	**110,103**
Due from employees	**–**	**14,915**	**–**	**21**	**7,758**	**31,211**	**733**	**54,638**
Due from related parties	**–**	**32,382**	**–**	**–**	**–**	**–**	**–**	**32,382**
Other receivables	**–**	**17,330**	**–**	**–**	**666**	**16,317**	**24,272**	**58,585**
Total	**₱322,333**	**₱358,985**	**₱–**	**₱203,535**	**₱344,832**	**₱204,338**	**₱80,679**	**₱1,514,702**

	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	₱102,077	₱–	₱–	₱–	₱–	₱–	₱–	₱102,077
Trade receivables	617,645	5,857	–	101,358	53,039	166,390	39,176	983,465
Due from planters and cane haulers	–	21,308	–	–	–	–	29,334	50,642
Due from employees	–	22,730	–	70	565	8,512	733	32,610
Due from related parties	–	58,803	–	6,488	6,014	142	–	71,447
Other receivables*	–	4,083	–	44	1,360	6,334	10,050	21,871
Total	₱719,722	₱112,781	₱–	₱107,960	₱60,978	₱181,378	₱79,293	₱1,262,112

**Excludes advances for raw sugar purchases amounting to ₱21.9 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.

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 14 and 15.

The loans amounting to ₱165.0 million and ₱110.0 million as at September 30, 2015 and 2014, 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 2015 and 2014. The estimates are based on the outstanding interest bearing liabilities of the Group with floating interest rate as at September 30, 2015 and 2014.

	2015	
Increase (Decrease)	**Effect on Loss before Tax**	**Effect on Equity**
0.25%	(₱4,018)	(₱2,812)
(0.25%)	4,018	2,812

2014		
Increase (Decrease)	Effect on Income before Tax	Effect on Equity
0.25%	(₱2,263)	(₱1,584)
(0.25%)	2,263	1,584

Interest on financial liabilities with fixed interest rate is fixed until the maturity of the instrument (see Notes 14 and 15).

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, 2015 and 2014.

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:

	2015	2014
Total liabilities	**₱12,021,855**	₱7,772,044
Total equity	**8,514,905**	6,927,851
Total liabilities and equity	**₱20,536,760**	₱14,699,895
Debt-to-equity ratio	**1.41:1.00**	1.12:1.00

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:

	2015		2014	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Cash on hand	**₱3,138**	**₱3,138**	₱3,955	₱3,955
Loans and receivables:				
Cash in banks	**199,277**	**199,277**	102,077	102,077
Trade receivables*	**1,020,471**	**1,020,471**	944,289	944,289
Due from planters and cane haulers*	**93,675**	**93,675**	21,308	21,308
Due from employees*	**53,905**	**53,905**	31,877	31,877
Due from related parties	**32,382**	**32,382**	71,447	71,447
Others receivables*	**34,313**	**34,313**	11,821	11,821
	₱1,437,161	**₱1,437,161**	₱1,186,774	₱1,186,774
Financial Liabilities				
Other financial liabilities:				
Short-term borrowings	**₱3,268,601**	**₱3,268,601**	₱719,100	₱719,100
Trade and other payables**	**1,864,199**	**1,864,199**	577,951	577,951
Long-term borrowings	**5,515,392**	**5,429,478**	5,143,592	5,323,246
	₱10,648,192	**₱10,562,278**	₱6,440,643	₱6,620,297

**Net of related allowance for impairment losses totaling ₱80.7 million in 2015 and ₱79.3 million in 2014.*
***Excludes payables to government agencies amounting to ₱66.2 million and provision for losses amounting to ₱16.2 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 from planters and cane haulers, 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, 2015 and 2014 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.

30. 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 13,000 metric tons, 11,000 metric tons and 11,000 metric tons as at September 30, 2015, 2014 and 2013, respectively. 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 29). In June 2015, milling contracts with the planters were modified. The new milling contracts with planters provide for a sharing of 67% to the planters and 33% to the Company. This agreement is effective until crop year 2016-2017. Annual renewal is upon mutual consent of both parties thereafter.

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 CADPI. Its sugar milling plant, which has a similar process with CADPI and has a daily cane capacity of 16,000 metric tons, 13,690 metric tons and 13,000 metric tons at September 30, 2015, 2014 and

2013, respectively, 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. SCBI was acquired to expand the business of producing, marketing and selling bio-ethanol fuel, both hydrous and anhydrous, products from sugar cane and related raw materials, and renewable and alternative energy sources. Its plant facility is located in La Carlota, Negros Occidental.

f. Other segments of the Group, which are not reported separately, pertain mainly to consultancy business, holdings, dealer and trader of agricultural products, provider of storage services 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 revenue and segment expenses are consistent with the consolidated statements 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, molasses and alcohol. 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.

Revenue from two major customers of CACI amounted to ₱724.4 million or 8.9% in 2015, ₱774.5 million or 30% of the Group's revenue in 2014 and ₱546.5 million or 9.0% of Group's revenue in 2013. CADPI earned revenue of ₱790.0 million or 9.6% of the Group's revenue in 2015, ₱997.9 million or 12% of the Group's revenue in 2014 and ₱1,720.3 million or 28.4% of the Group's revenue in 2013 from its two major customers. Also, RBC earned revenue of ₱1,365.8 million or 16.6% of the Group's revenue in 2015, ₱1,436.4 million or 17.2% of the Group's revenue in 2014 and ₱269.8 million or 4.4% of the Group's revenue in 2013 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 and amortization. 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:

	2015							
	RHI	**CADPI**	**CACI**	**RBC**	**SCBI**	**Others**	**Eliminations and Adjustments**	**Consolidated**
Revenue								
External customers:								
Refined sugar	₱–	₱2,211,218	₱70,165	₱237,604	₱–	₱–	₱–	₱2,518,987
Alcohol	–	–	–	1,982,319	614,184	–	–	2,596,503
Raw sugar	–	341,923	1,905,154	–	–	–	–	2,247,077
Molasses	–	418,204	–	–	–	–	–	418,204
Tolling fees	–	381,586	–	–	–	–	–	381,586
Liquid sugar	–	–	–	–	38,336	–	–	38,336
Others	–	–	–	–	7,703	–	–	7,703
	–	3,352,931	1,975,319	2,219,923	660,223	–	–	8,208,396
Inter-segment	–	207,775	2,275,086	82,350	–	–	(2,565,211)	–
Costs and expenses	(29,727)	(3,550,033)	(4,434,106)	(2,092,004)	(637,121)	(36,101)	2,550,969	(8,228,123)
Interest income	56	268	1,660	141	32	401	–	2,558
Interest expense	(30,008)	(154,397)	(80,287)	(7,204)	9,793	(9,252)	–	(271,355)
Others	93,156	39,027	29,469	4,742	90,893	6,293	(181,778)	81,802
Income (loss) before income tax	33,477	(104,429)	(232,859)	207,948	123,820	(38,659)	(196,020)	(206,722)
Income tax benefit (expense)	15,918	(4,710)	69,893	6,882	(1,483)	10,128	(5,777)	90,851
Segment profit (loss)	49,395	(109,139)	(162,966)	214,830	122,337	(28,531)	(201,797)	(115,871)
Equity in net earnings of an associate	–	–	–	–	–	–	134,424	134,424
Consolidated net income (loss)	₱49,395	(₱109,139)	(₱162,966)	₱214,830	₱122,337	(₱28,531)	(₱67,373)	₱18,553
Other Information								
Major costs and expenses:								
Depreciation and amortization	₱1,320	₱380,315	₱263,154	₱97,213	₱51,669	₱1,038	₱2,526	₱797,235
Fuel and oil	–	384,937	52,115	243,927	90,210	–	–	771,189
Materials and consumables	2	154,849	82,172	33,102	8,284	1,082	–	279,491
Repairs and maintenance	12	131,364	137,263	23,182	853	200	–	292,874
Additions to noncurrent assets:								
Investment in an associate	259,907	–	–	–	–	–	414,693	674,600

	2015							
	RHI	**CADPI**	**CACI**	**RBC**	**SCBI**	**Others**	**Eliminations and Adjustments**	**Consolidated**
Property, plant and equipment	–	365,954	494,591	153,203	2,453,479	98,708	–	3,565,935
Assets and Liabilities								
Current assets	₱1,942,197	₱2,022,178	₱1,064,707	₱795,228	₱282,632	₱618,415	(₱3,134,499)	₱3,590,858
Noncurrent assets	7,783,498	4,531,290	3,744,281	1,592,176	2,569,525	2,088,333	(5,363,201)	16,945,902
Total assets	₱9,725,695	₱6,553,468	₱4,808,988	₱2,387,404	₱2,852,157	₱2,706,748	(₱8,497,700)	₱20,536,760
Current liabilities	527,919	1,992,700	1,462,358	970,486	1,940,646	2,298,367	(2,717,080)	6,475,396
Noncurrent liabilities	1,543,282	2,444,369	1,419,025	70	489,153	179,892	(529,332)	5,546,459
Total liabilities	₱2,071,201	₱4,437,069	₱2,881,383	₱970,556	₱2,429,799	₱2,478,259	(₱3,246,412)	₱12,021,855

	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	2,432,955	–	–	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	(1,841,437)	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

31. **Events after Reporting Year**

On October 2, 2015, the BOD of HPCo approved the declaration and payment of cash dividend of ₱2.22 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 ₱63.4 million, which were paid on November 12, 2015.

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ROXAS HOLDINGS, INC.

PARENT FIRMS

FIRST PACIFIC

Roxas & Company, Inc.

SUBSIDIARIES

CENTRAL AZUCARERA DON PEDRO, INC.

CENTRAL AZUCARERA DE LA CARLOTA, INC.

roxol Bioenergy Corporation

SAN CARLOS BIOENERGY, INC.

AFFILIATE

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