The Prospectus is being displayed in the website to make the Prospectus accessible to more investors. The Philippine Stock Exchange, Inc. ("PSE") assumes no responsibility for the correctness of any statements made or opinions or reports expressed in the Prospectus. Furthermore, the PSE makes no representation as to the completeness of the Prospectus and disclaims any liability whatsoever for any loss arising from or in reliance in whole or in part on the contents of the Prospectus.

ROXAS HOLDINGS, INC.

(A corporation organized and existing under Philippine Laws)

6th Floor, CG Building
101 Aguirre St., Legazpi Village
Makati City, Philippines

**Prospectus Relating to the
Stock Rights Offering of 266,753,974 Common Shares
with a Par Value of ₱1.00 per Share
to be offered at the Offer Price of ₱4.19 per Rights Share
and at the ratio of 1 Rights Share for
every 4.33 Common Shares held as of Record Date
to be listed and traded on the Philippine Stock Exchange**

Each shareholder holding 4.33 Common Shares as of Record Date shall be entitled to subscribe to one (1) Rights Shares at an Offer Price of ₱4.19 per Rights Share.

In connection with this Stock Rights Offering ("SRO"), a Request for Confirmation of Exemption was filed on February 18, 2016 with the Securities and Exchange Commission based on Section 10.1 (e) of the Securities Regulation Code. On March 30, 2016, the SEC approved the Company's Request for Confirmation of Exemption, thereby confirming that the Offer is exempt from the registration requirements of the SRC.

BDO Capital & Investment Corporation ("Underwriter") will firmly underwrite the Offer but no underwriting fees will be collected with respect to the Offer. In this connection, a shareholder of the Company, First Agri Holdings Corporation ("First Agri"), has committed and undertaken to the Company and the Underwriter that it shall subscribe, not just to its entitlement of the Rights Shares, but also any unsubscribed Rights Shares after the mandatory second round of the SRO. Thus, if the Shareholders (including First Agri) fail to subscribe to all the Rights Shares, the Underwriter will take up any remaining unsubscribed Rights Shares pursuant to its role as Underwriter.

The PSE assumes no responsibility for the correctness of any of the statements, opinions, and reports made or expressed in this Prospectus. The application to cover the listing of the Rights Shares was approved by the Philippine Stock Exchange on April 13, 2016. Such approval for listing, however, is permissive only and does not constitute a recommendation or endorsement of the Offer Shares by the PSE.

THE OFFER OF THE SECURITIES IS EXEMPT FROM REGISTRATION PURSUANT TO SECTION 10 OF THE SECURITIES REGULATION CODE, AND ACCORDINGLY THE SECURITIES HAVE NOT BEEN REGISTERED WITH THE PHILIPPINE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES REGULATION CODE. ANY FUTURE OFFER OR SALE THEREOF IS SUBJECT TO THE REGISTRATION REQUIREMENTS UNDER THE SECURITIES REGULATION CODE UNLESS SUCH OFFER OR SALE QUALIFIES AS AN EXEMPT TRANSACTION.

This Prospectus is dated May 4, 2016.

Issue Manager and Sole Underwriter

ROXAS HOLDINGS, INC.
6th Floor, CG Building
101 Aguirre St., Legazpi Village
Makati City, Philippines
Telephone number: (02) 810-8901

Stock Rights Offering
One (1) Rights Share of Common Stock
For Every 4.33 Common Shares Held
At an Offer Price of ₱4.19 per Rights Share

This Prospectus relates to the offering for subscription (the "Offer") of 266,753,974 common shares (the "Rights Shares" or "Offer Shares") with a par value of ₱1.00 per share (the "Common Shares") of Roxas Holdings, Inc. ("RHI" or "ROX" or the "Company" or the "Issuer") by way of a pre-emptive rights offering to existing holders of Common Shares of RHI as of the Record Date ("Eligible Shareholders") at the proportion One (1) Share of Common Stock for every 4.33 Common Shares held as of the Record Date at an Offer Price of ₱4.19 per Rights Share (the "Rights Offer Price" or the "Offer Price"). However, any Eligible Shareholder may also apply to subscribe, in addition to such shareholder's minimum entitlement, for Offer Shares not taken up by the other Eligible Shareholders. Any fractional shares shall be disregarded in the computation of the Rights Share entitlement of each shareholder.

BDO Capital & Investment Corporation ("Underwriter") will firmly underwrite the Offering of 266,753,974 common shares but no underwriting fees will be collected with respect to the Offer. In this connection, a shareholder of the Company, First Agri Holdings Corporation, has committed and undertaken to the Company and the Underwriter that it will subscribe, not just to its entitlement of the Rights Shares, but also any unsubscribed Rights Shares after the mandatory second round of the Offer. Thus, if the Shareholders (including First Agri) fail to subscribe to all the Rights Shares, the Underwriter will take up any remaining unsubscribed Rights Shares pursuant to its role as underwriter.

The Offer Shares will be issued from the authorized but unissued capital stock of the Company. The authorized capital stock of the Company is ₱1,500,000,000.00 consisting of 1,500,000,000 Common Shares with a par value of ₱1.00 per share. As of the date of this Prospectus, 1,155,044,707 Common Shares are subscribed and outstanding. After the completion of the Offer, the subscribed and outstanding Common Shares of the Company shall be 1,421,798,681 Common Shares.

All Common Shares of the Company issued or to be issued pursuant to the Offer have, or upon issuance will have, identical rights and privileges. The Philippine Constitution and laws limit foreign ownership in the Company to a maximum of 40% of its issued and outstanding capital stock entitled to vote, and 40% of its issued and outstanding capital stock, whether or not entitled to vote, because the Company owns land.

Each holder of the Common Shares will be entitled to such dividends as may be declared by the Company's Board of Directors (the "Board"), provided that any stock dividend declaration requires the approval of shareholders holding at least two-thirds of the Company's total outstanding capital stock. The Corporation Code of the Philippines, Batas Pambansa Blg. 68 (the "Corporation Code"), has defined "outstanding capital stock" as the total shares of stock issued, whether paid in full or not, except treasury shares. The Company has adopted a dividend policy to declare regular cash and/or stock dividends of 35% of its annual earnings payable out of its unrestricted retained earnings. As a policy, the dividends may be declared semi-annually with the record and payment dates to be set in consideration of the Company's existing financial covenants, prospective capital requirements for expansions and investments, and compliance with statutory requirements. Special dividends may also be declared provided the declaration thereof shall not be detrimental to the Company's cash flow requirements.

The Company expects to raise gross proceeds of approximately ₱1.118 billion from the Offer. After deducting the registration and licensing fees, listing fees, taxes, other fees and expenses related to the Offer, the net proceeds from the Offer is estimated to be ₱1.114 billion. The net proceeds from the Offer will be used by the Company to (i) partially pay the loan obligations of Roxas Pacific Bioenergy Corporation ("RPBC"), a wholly-owned subsidiary of the Company. The proceeds of such loan were used by RPBC to partially finance its acquisition of San Carlos Bioenergy, Inc. in April 2015; (ii) acquire an additional 8 MW steam turbine generator for sugar milling and refining; and (iii) install a heavy duty pressure feeder to the sugar plant milling equipment. For a more detailed discussion on the Use of Proceeds, please refer to page 30 of this Prospectus.

Unless the context clearly indicates otherwise, any reference to the "Company" or "RHI" refers to Roxas Holdings, Inc. on a consolidated basis. The information contained in this Prospectus is publicly available and has been supplied by the Company solely for the purpose of the Offer. The Company accepts full responsibility for the accuracy and completeness of the information contained herein. The Company confirms that, after having made all reasonable inquiries, and to the best of its knowledge and belief, there are no material facts, the omission of which would make any statement in this Prospectus misleading in any material respect. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstance, create any implication that the information contained herein is correct as of any time subsequent to the date hereof.

Prospective investors of the Offer Shares must conduct their own evaluation of the Company, and the terms and conditions of the Offer, including the merits and risks involved. Please refer to Risks on Investing and Risk Factors discussed on page 21 of this Prospectus. The readers of this Prospectus are further enjoined to consult their financial advisers, tax consultants, and other professional advisers with respect to the acquisition, holding, or disposal of the Offer Shares described herein.

Market and certain industry data used throughout this Prospectus were obtained from market research, publicly available information, and industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information are not guaranteed. Similarly, industry forecasts and market research, while believed to be reliable, have not been independently verified, and the Company does not make any representation as to the accuracy of such information.

The Company's Common Shares are listed on the Philippine Stock Exchange, Inc. ("PSE") under the symbol "ROX". As of April 28, 2016, the market price per share of the Company's common shares was ₱4.80.

On February 18, 2016, the Company filed with the Securities and Exchange Commission ("SEC") a Request for Confirmation of Exemption covering the Common Shares to be issued relative to the Company's Stock Rights Offering, pursuant to Section 10.1 (e) of the Securities Regulation Code ("SRC") under which the exemption[1] is based. On March 30, 2016, the SEC approved the Company's Request for Confirmation of Exemption, thereby confirming that the Offer is exempt from the registration requirements of the SRC.

The Company filed its application for the listing and trading of the Rights Shares with the PSE on February 22, 2016. The PSE approved the application to list the Rights Shares on April 13, 2016. Such approval for listing, however, is permissive only and does not constitute a recommendation or endorsement of the Offer Shares by the PSE.

The PSE assumes no responsibility for the correctness of any of the statements, opinions and reports made or expressed in this Prospectus. The PSE makes no representation as to its completeness and expressly disclaims any liability whatsoever for any loss arising from reliance on the entire or any part of this Prospectus.

This Prospectus shall not constitute an offer to sell or the solicitation of an offer to buy any securities other than those described herein, nor does it constitute an offer to sell or a solicitation of an offer to buy the shares described herein in any jurisdiction in which such offer or solicitation or sale is not authorized, or to any person to whom it is unlawful to make such offer or solicitation or sale. No dealer, salesperson, or other person has been authorized to give information or make any representation not contained in this Prospectus, and if given or made, may not be relied upon as having been authorized by the Company.

THE OFFER OF THE SECURITIES IS EXEMPT FROM REGISTRATION PURSUANT TO SECTION 10 OF THE SECURITIES REGULATION CODE, AND ACCORDINGLY THE SECURITIES HAVE NOT BEEN REGISTERED WITH THE PHILIPPINE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES REGULATION CODE. ANY FUTURE OFFER OR SALE THEREOF IS SUBJECT TO THE REGISTRATION REQUIREMENTS UNDER THE SECURITIES REGULATION CODE UNLESS SUCH OFFER OR SALE QUALIFIES AS AN EXEMPT TRANSACTION.

THE OFFER SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES LAWS OF ANY JURISDICTION OTHER THAN THE PHILIPPINES. ACCORDINGLY, THE OFFER SHARES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, INTO OR WITHIN ANY JURISDICTIONS OUTSIDE OF THE PHILIPPINES ABSENT REGISTRATION OR QUALIFICATION UNDER THE RESPECTIVE SECURITIES LAWS OF THOSE JURISDICTIONS, OR EXEMPTION FROM THE REGISTRATION OR QUALIFICATION REQUIREMENTS UNDER APPLICABLE RULES OF THOSE JURISDICTIONS. THERE IS NO INTENTION TO REGISTER ANY PORTION OF THE OFFER OR ANY SECURITIES DESCRIBED HEREIN IN THE UNITED STATES OR TO CONDUCT A PUBLIC OFFER OF SECURITIES IN THE UNITED STATES.

[1] "Sec. 10. Exempt Transactions – 10.1 The requirement of registration under Subsection 8.1 shall not apply to the sale of any security in any of the following transactions:

(e) The sale of capital stock of a corporation to its own stockholders exclusively, where no commission or other remuneration is paid or given directly or indirectly in connection with the sale of such capital stock."

ROXAS HOLDINGS, INC.

By:

HUBERT D. TUBIO
President and CEO

SUBSCRIBED AND SWORN to before me this 06 day of MAY 2016 in MAKATI CITY City, Philippines, affiant exhibiting to me his Passport ID No. EB4954203 expiring on 14 March 2017.

ARIANE MAE V. VALLADA
Appointment No. M-176
Notary Public for Makati City
Until December 31, 2017
Penthouse, Liberty Center
104 H.V. dela Costa Street, Makati City
Roll of Attorneys No. 64605
PTR No. 5331150 / Makati City / 01-07-2016
IBP No. 1015833 / Quezon City 01-04-2016

Doc. No. 208;
Page No. 43;
Book No. I;
Series of 2016.

TABLE OF CONTENTS

GLOSSARY OF TERMS

In this Prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below.

Articles of Incorporation	The Articles of Incorporation of RHI, as amended to date
Bangko Sentral ng Pilipinas or BSP	The Philippine Central Bank
Board or Board of Directors ...	the Board of Directors of RHI
Business or Banking Day	A day (except Saturdays, Sundays and holidays) on which facilities of the Philippine banking system are open and available for clearing and banks are generally open for the transaction of business in the city of Makati
By-laws	The By-laws of RHI, as amended to date
CACI	Central Azucarera de la Carlota, Inc.
CADPI	Central Azucarera Don Pedro, Inc.
Common Shares	The common shares constituting the authorized or issued capital stock of the Company at any time, as the context may require
Company or the Issuer or RHI or ROX	Roxas Holdings, Inc.
CY	Crop Year
DENR	Department of Environment and Natural Resources
DOE	Department of Energy
Eligible Shareholders	Existing holders of record of Common Shares as of the Record Date
Ex-date	April 29, 2016
First Agri	First Agri Holdings Corporation
Government	The Government of the Republic of the Philippines

HPCO	Hawaiian-Philippine Company
Lkg	50-kilogram bags
Lkg/TC	50-kilogram bags per ton of cane milled
MD	Mill District
Metro Manila	The metropolitan area comprising the cities of Caloocan, Las Piñas, Makati, Malabon, Mandaluyong, Manila, Marikina, Muntinlupa, Navotas, Parañaque, Pasay, Pasig, San Juan, Taguig, Quezon and Valenzuela and the municipality of Pateros, which together comprise the "National Capital Region" and are commonly referred to as "Metropolitan Manila"
NAVI	Najalin Agri-Ventures, Inc.
Offer	The offering for subscription to existing shareholders of the Issuer of the Rights Shares subject to the terms and conditions stated in this Prospectus and in the Application to Subscribe
Offer Period	The period commencing on May 12, 2016 and ending on 12:00 noon of May 18, 2016. The Company and the Underwriter reserve the right to extend or terminate the Offer Period, subject to the approval of the PSE.
PDTC	Philippine Depository and Trust Corporation
Pesos or Php or ₱	Philippine Pesos
PHILSURIN	Philippine Sugar Research Institute
PSE	The Philippine Stock Exchange, Inc.
RCI	Roxas & Company, Inc.
Record Date	May 4, 2016
Rights Offer Price or the Offer Price	₱4.19 per Rights Share
Rights Shares	266,753,974 Common Shares of the Company

RPBC	Roxas Pacific Bioenergy Corporation
Roxol	Roxol Bioenergy Corporation
SCBI	San Carlos Bioenergy, Inc.
SCCP	Securities Clearing Corporation of the Philippines
SEC	The Philippine Securities and Exchange Commission
SRA	Philippine Sugar Regulatory Administration
Stock Transfer Agent	BDO Unibank, Inc. - Trust and Investments Group
TC/Ha	Ton of cane milled per hectare
Underwriter	BDO Capital & Investment Corporation or BDO Capital

EXECUTIVE SUMMARY

This summary highlights information contained elsewhere in this Prospectus. The following summary is qualified in its entirety by more detailed information and financial statements, including notes thereto, appearing elsewhere in this Prospectus. Investors are recommended to read this entire Prospectus carefully, including the Company's consolidated financial statements and related notes.

OVERVIEW

Roxas Holdings, Inc. ("RHI") is an integrated sugar company that has expanded its business interests to include bioethanol and co-generation. It was listed at The Philippine Stock Exchange, Inc. on August 8, 1996, and is presently traded therein under the symbol ROX (PSEi: ROX).

The Company, together with its affiliate, Hawaiian-Philippine Company, are among the biggest raw sugar producers in the country with a combined capacity of thirty six thousand five hundred (36,500) metric tons cane per day. The Company also owns the second largest sugar refinery with a capacity of eighteen thousand (18,000) Lkg per day and the two (2) biggest ethanol producers in the country with a combined daily production capacity of two hundred seventy five thousand (275,000) liters.

The Company, then known as Central Azucarera Don Pedro, started operating as a sugar mill in Nasugbu, Batangas in 1927. Through the years, the Company has evolved into what is now known as RHI with the following principal operating subsidiaries: Central Azucarera Don Pedro, Inc. ("CADPI"), a sugar company in Nasugbu, Batangas; Central Azucarera de la Carlota, Inc. ("CACI"), also a sugar company situated in La Carlota City, Negros Occidental; and Roxol Bioenergy Corporation (Roxol), a bioethanol company situated in La Carlota City, Negros Occidental and San Carlos Bioenergy, Inc. ("SCBI"), another bioethanol company located in San Carlos City, Negros Occidental.

RHI also owns Najalin Agri-Ventures, Inc. ("NAVI"), a corporate farm located in La Carlota City, Negros Occidental, and holds a 45.09%-equity investment in Hawaiian-Philippine Company ("HPCO"), a sugar company located in Silay City, Negros Occidental.

The registered office of the Company is located at the 6th Floor, CG Building, 101 Aguirre St., Legazpi Village, Makati City, Philippines.

COMPETITIVE STRENGTHS AND STRATEGIES

RHI is one of the largest integrated sugar milling companies in the Philippines, whose business ranges from raw sugar production, sugar refinery, and bio-ethanol production. Presently, it is the largest raw sugar producer and the 2nd largest sugar refiner in the country. The Company also owns and operates the two (2) biggest ethanol production facilities in the country.

The Company has been in the sugar production and refinery business for the past 85 years since its establishment in October 1930. Over the years, RHI has developed solid relationships with its customers through its excellent level of service, reliability and quality products. With its wide network of customers, it enjoys customer diversification and is not reliant on any select group of clients. Moreover, the Company is led by a management team with a proven track record, and extensive experience and knowledge of the industry.

In order to strengthen its leading market position in the Philippines and expand its business operations, the Company plans to continue partnering and leveraging on the existing relationship with its various stakeholders in order to improve farm productivity, promote product innovation and development, and ensure a stable supply of raw materials. In order to maintain its leadership and to remain competitive in view of the ASEAN integration, it has likewise diversified into bio-ethanol production and co-generation in 2015.

USE OF PROCEEDS

The Company expects to raise gross proceeds of approximately ₱1.118 billion from the Offer. After deducting the registration and licensing fees, listing fees, taxes, other fees and expenses related to the Offer, the net proceeds from the Offer is estimated to be ₱1.114 billion. The net proceeds from the Offer will be used by the Company to (i) partially pay the loan obligations of RPBC, a wholly-owned subsidiary of the Company. The proceeds of such loan were used by RPBC to partially finance its acquisition of San Carlos Bioenergy, Inc. in April 2015; (ii) acquire an additional 8 MW steam turbine generator for sugar milling and refining; and (iii) install a heavy duty pressure feeder to the sugar plant milling equipment. For a more detailed discussion on the Use of Proceeds, please refer to page 30 of this Prospectus.

RISKS OF INVESTING

Investors should carefully consider all the information contained in this Prospectus, including the risk factors described below, before deciding to invest in the Rights Shares.

- Risks relating to the Business
- Risks relating to the Philippines
- Risks relating to the Rights Shares

Please refer to the section "Risk Factors" found on page 21 of this Prospectus for a discussion of the risks that must be considered in connection with the Offer.

SUMMARY OF CONSOLIDATED FINANCIAL INFORMATION

The following tables set forth the summary consolidated financials of the Company as at and for the periods indicated. The selected audited financial information presented below are as at 30 September 2013, 2014 and 2015 and for the years ended 30 September 2013, 2014 and 2015, and the selected unaudited financial information as at 31 December 2015. The information set out below should be read in conjunction with, and is qualified in its entirety by reference to, the relevant consolidated financial statements of the Company, including the notes thereto, included elsewhere in this Prospectus.

CONSOLIDATED BALANCE SHEETS
In Thousands

	As of December 31 (Unaudited)	As of September 30 (Audited)		
	2015	**2015**	**2014**	**2013**
ASSETS				
Current Assets				
Cash and cash in banks	₱375,088	₱202,415	₱106,032	₱165,593
Trade and other receivables	1,501,720	1,262,012	1,105,317	1,371,432
Inventories	1,728,796	1,500,826	558,489	1,550,894
Other current assets	919,650	625,605	467,785	468,308
Total Current Assets	**4,525,254**	**3,590,858**	**2,237,623**	**3,556,587**
Noncurrent Assets				
Investment in an associate	₱650,083	₱674,600	₱626,681	₱611,927
Property, plant and equipment:	14,461,849	14,373,419	11,397,095	10,650,311
Investment properties	311,192	311,110	205,986	191,838
Goodwill	1,236,052	1,236,052	–	–
Retirement assets	112,732	113,932	134,901	–
Net deferred tax assets	251,689	188,323	72,178	94,092
Other noncurrent assets	50,018	48,466	25,431	16,476
Total Noncurrent Assets	**17,073,615**	**16,945,902**	**12,462,272**	**11,564,644**
Total Assets	**₱21,598,869**	**₱20,536,760**	**₱14,699,895**	**₱15,121,231**
LIABILITIES AND EQUITY				
Current Liabilities				
Short-term borrowings	₱4,520,309	₱3,268,601	₱719,100	₱1,020,527
Current portion of long-term borrowings	800,329	1,244,649	42,241	158,277
Trade and other payables	2,335,982	1,946,675	626,593	666,757
Income tax payable	20,071	15,471	56,643	51,513
Total Current Liabilities	**7,676,691**	**6,475,396**	**1,444,577**	**1,897,074**

	As of December 31 (Unaudited)	As of September 30 (Audited)		
	2015	2015	2014	2013
Noncurrent Liabilities				
Long-term borrowings - net of current portion	₱4,236,728	₱4,235,985	₱5,101,351	₱6,677,245
Retirement liabilities	245,264	232,908	168,890	225,945
Net deferred tax liabilities	1,042,709	1,037,416	1,057,226	760,085
Other noncurrent liabilities	1,300	40,150	–	–
Total Noncurrent Liabilities	**5,526,001**	**5,546,459**	**6,327,467**	**7,663,275**
Total Liabilities	**₱13,202,692**	**₱12,021,855**	**₱7,772,044**	**₱9,560,349**
Equity Attributable to the Equity Holders of the Parent Company				
Capital stock	₱1,169,289	₱1,169,289	₱1,168,976	₱1,168,976
Additional paid-in capital	1,580,105	1,573,993	574,913	556,951
Treasury stock	(52,290)	(52,290)	(768,860)	(768,860)
Retained earnings	2,394,352	3,145,022	3,162,299	2,303,609
Other equity reserves	3,145,021	2,515,315	2,751,827	2,264,919
	8,236,477	8,351,329	6,889,155	5,525,595
Non-controlling interests	159,700	163,576	38,696	35,287
Total Equity	**₱8,396,177**	**₱8,514,905**	**₱6,927,851**	**₱5,560,882**
Total Liabilities and Total Equity	**₱21,598,869**	**₱20,536,760**	**₱14,699,895**	**₱15,121,231**

CONSOLIDATED STATEMENTS OF INCOME
In Thousands

	For the 3 Months Ended December 31 (Unaudited)		For the Years Ended September 30 (Audited)		
	2015	**2014**	**2015**	**2014**	**2013**
Revenues	₱2,705,851	₱1,178,707	₱8,208,396	₱8,316,718	₱6,064,728
Cost of Goods Sold	(2,593,056)	(998,195)	(7,164,185)	(6,882,691)	(4,450,154)
Gross Income	**112,795**	**180,512**	**1,044,211**	**1,434,027**	**1,614,574**
General and Administrative Expenses	(234,560)	(131,610)	(1,031,997)	(731,902)	(623,546)
Selling Expenses	(5,977)	(4,327)	(31,941)	(24,038)	(40,361)
Interest Expense	(106,245)	(64,675)	(271,355)	(314,543)	(390,662)
Share in Net Earnings of an Associate	38,862	19,614	134,424	83,214	68,315
Other Income - Net	1,722	328	84,360	229,516	107,680
Income (Loss) before Income Tax	**(181,221)**	**8,884**	**(72,298)**	**676,274**	**736,000**
Income Tax Expense (Benefit)					
Current	(2,974)	–	82,068	90,491	125,441
Deferred	59,356	–	(172,919)	(29,563)	124,775
	(56,382)	–	(90,851)	60,928	250,216
Net Income (Loss)	**(₱124,839)**	**₱8,884**	**₱18,553**	**₱615,346**	**₱485,784**
Net income (loss) attributable to:					
Equity holders of the Parent Company	(120,962)	8,884	₱10,832	₱611,937	₱485,337
Non-controlling interests	(3,876)	–	7,721	3,409	447
	(₱124,839)	**₱8,884**	**₱18,553**	**₱615,346**	**₱485,784**

Earnings/(loss) per Share Attributable to Equity Holders of the Parent Company

Basic	**(₱0.11)**	**₱0.01**	**₱0.01**	**₱0.67**	**₱0.53**
Diluted	**(₱0.11)**	**₱0.01**	**₱0.01**	**₱0.66**	**₱0.53**

THE RIGHTS OFFER

The Company is offering for subscription 266,753,974 Common Shares to Eligible Shareholders at the Offer Price of ₱4.19 per Rights Share. The Rights Shares will not be registered with the SEC. On February 18, 2016, the Company filed a Request for Confirmation of Exemption with the SEC. On March 30, 2016, the SEC approved the Company's Request for Confirmation of Exemption, thereby confirming that the Offer is exempt from the registration requirements of the SRC. Each Eligible Shareholder is entitled to the proportion of One (1) Share of Common Stock for every 4.33 Common Shares held as of Record Date at an Offer Price of ₱4.19 per Rights Share.

Fractions of the Rights Shares will not be allotted to existing shareholders and any fractional entitlement will be rounded down to the nearest whole number of the Rights Shares. Such fractions will be aggregated and sold for the benefit of the Company. The Rights Shares may be subscribed by Eligible Shareholders. Below are the tentative key dates of the Offer.

PSE Board Approval Date	April 13, 2016
Ex-Date	April 29, 2016
Record Date	May 4, 2016
Offer Period	May 12 - 18, 2016
Listing Date	May 26, 2016
Start of Trading of the Rights Shares	May 26, 2016

The dates listed above may be changed at the discretion of the Company and the Underwriter, subject to the approval of the PSE.

BDO Capital will firmly underwrite the Offer. To ensure 100% subscription, shareholders are allowed to apply for additional subscription, which will be granted on a pro-rata basis. In this connection, a shareholder of the Company, First Agri Holdings Corporation, has committed and undertaken to the Company and the Underwriter to subscribe, not just to its entitlement of the Rights Shares, but also any unsubscribed Rights Shares after the mandatory second round of the Offer. Thus, if the Shareholders (including First Agri) fail to subscribe to all the Rights Shares, the Underwriter will take up any remaining unsubscribed Rights Shares pursuant to its role as the underwriter.

TERMS AND CONDITIONS OF THE RIGHTS OFFER

Issuer	Roxas Holdings, Inc. (“ROX”, “RHI”, or the “Company”)
Offer Shares	266,753,974 common shares of the Company, each having a par value of ₱1.00 (the “Rights Shares”). The Rights Shares shall rank equally in all respects with the existing Common Shares of the Company, including the right to receive all dividends or distributions made, paid or declared after a valid subscription agreement is perfected between the Company and a subscriber as evidenced by the written acceptance by the Company of the application to subscribe (the “Application”) of the subscriber and other conditions, including listing of the Rights Shares on the PSE. Until the listing of the Rights Shares on the PSE, such shares offered pursuant to the Offer will be non-transferable and not acceptable for trading.
Offer Price	The Rights Shares are being offered at a price of ₱4.19 per Rights Share.
Offer Period	The Offer Period shall commence on May 12, 2016 and end on May 18, 2016 at 12:00 P.M., Manila time. The Company and the Underwriter reserve the right to extend or terminate the Offer Period, subject to the approval of the PSE.
Minimum Subscription	Each Application must be for a minimum of one (1) Rights Share.
Record Date	May 4, 2016
Eligible Shareholders	The Rights Shares are being offered to holders of record of Common Shares of the Company as of the Record Date on a pre-emptive rights basis. The Common Shares of the Company may be held by any person or entity, regardless of nationality, subject to the right of the Company to reject an Application or reduce the number of Rights Shares applied for subscription or purchase if the same will cause the Company to be in breach of the Philippine ownership requirement under relevant Philippine laws.
Rights Entitlement	Each holder of common shares is entitled to subscribe to one (1) Rights Share for every 4.33 Common Shares held as of the Record Date (“Entitlement Shares”). Fractions of the Rights Shares will not be allotted to existing shareholders and fractional entitlements will be rounded down to the nearest whole number of the Rights Shares. Such fractions will be aggregated and sold for the benefit of the Company. Subscription to the Rights Shares in certain jurisdictions may be

restricted by law. Foreign investors interested in subscribing or purchasing the Rights Shares should inform themselves of the applicable legal requirements under the laws and regulations of the countries of their nationality, residence or domicile, and as to any relevant tax or foreign exchange control laws and regulations affecting them personally. Foreign investors, both corporate and individual, warrant that their purchase of the Rights Shares will not violate the laws of their jurisdiction and that they are allowed to acquire, purchase and hold the Rights Shares.

The offer process in relation to the Entitlement Shares shall be known as the First Round of the Offer.

Additional Subscription

If an applicant fully subscribes to his Rights Entitlement, and subject to the availability of unsubscribed Rights Shares arising from the failure of the other Eligible Shareholders to fully exercise their Rights Shares entitlement, the applicant may simultaneously apply for an additional subscription of the unsubscribed Rights Shares (the "Additional Subscription").

The Additional Subscription is payable in full upon submission of the Application. The Additional Subscription which may be allocated to the applicant shall not exceed the lower of: (i) the number of Additional Subscription indicated on the Application by the applicant as Additional Subscription; or (ii) such number of unsubscribed Additional Subscription based on the percentage ownership of the applicant in the Company as of Record Date; provided, however, that the allocation of Additional Subscription shall always be subject to the discretion of the Company. For this purpose, the percentage ownership of the applicant in the Company shall be the proportion that the existing shares owned by the applicant as of Record Date bear to the total outstanding capital stock of the Company as of Record Date. There can be no guarantee made as to the number of Additional Subscription that may be allocated to an applicant. A subscription for Additional Subscription is irrevocable on the part of the applicant and may not be cancelled or modified by such applicant.

The offer process in relation to the additional subscription shall be known as the Second Round of the Offer.

Restrictions on Ownership

The Philippine Constitution and related statutes set forth restrictions on foreign ownership of companies engaged in certain activities. Considering that the Company owns land, foreign ownership in the Company should not exceed 40% of its total issued and outstanding capital stock entitled to vote and 40% of the total outstanding capital stock, whether or not entitled to vote. Accordingly, the Company cannot allow the issuance or the transfer of its Common Shares which may result in the Company ceasing to be at least 60% owned by Philippine Nationals.

Procedure for Application

All applications for Rights Shares shall be evidenced by the Application, duly executed by an authorized signatory of the applicant and the corresponding payment for the Rights Shares covered by the Application and all other required documents. The duly executed Application and required documents should be submitted during the Offer Period to the Stock Transfer Agent BDO Unibank, Inc. - Trust and Investments Group, at their office at 15th Floor, South Tower, BDO Corporate Center, 7899 Makati Avenue, Makati City. For Eligible Shareholders of certificated shares that are located outside the Philippines and outside the United States, they may submit an Application, proof of remittance and all other required documents to the Stock Transfer Agent by email before the end of the Offer Period, with the original copies to be delivered via courier thereafter.

If the applicant is an eligible individual shareholder, the applicant must personally submit:

1) a properly completed Application; and

2) two (2) forms of Government-issued identification, such as, but not limited to, a Philippine passport, SSS ID, or driver's license.

If the applicant is a corporation, partnership, or trust account, the Application must be accompanied by a duly notarized corporate secretary's certificate:

1) setting forth the resolution of the applicant's board of directors or equivalent body authorizing the purchase of the Rights Shares indicated in the Application;

2) identifying the designated signatories authorized for the purpose, including his or her specimen signature; and

3) certifying the percentage of the applicant's capital or capital stock held by Philippine Nationals.

If the applicant is a non-Filipino (individual shareholder or corporation, partnership or trust account), the Application must be accompanied by a certification letter representing and warranting that:

1) the applicant is not a resident in the United States; and

2) the applicant's purchase of the Rights Shares will not violate the laws of their resident jurisdiction.

Applications, accompanied by the full payment or proof of full payment, and the required documents, must be received by the Stock Transfer Agent not later than 12:00 p.m., Manila Time, of the last day of the Offer Period. Applications received thereafter or without the required documents will be rejected. Applications shall be considered irrevocable upon submission, and shall be subject to the terms and conditions of the Offer as stated in the Prospectus and in the Application. The actual subscription and/or purchase of the Rights Shares shall become effective only upon the actual listing of the Rights Shares on the PSE.

Payment

The Rights Shares must be paid in full and in cleared funds by check drawn against a Bangko Sentral ng Pilipinas authorized agent bank in Metro Manila to the order of "RHI Rights Offer". The check must be dated as of the date of the Application and crossed "For Payee's Account Only". Check payments for regional clearing will not be accepted.

Moreover, all bank charges shall be for the account of the Eligible Shareholder. The payment for the subscription price must be received by the Issuer in full without any deduction.

Certificated shareholders located outside the Philippines and outside the United States may submit their payment through an overseas remittance to the Stock Transfer Agent. Payments from such offshore Eligible Shareholder shall be made in full in Philippine Pesos. All remittance fees and all relative charges shall be for the account of the offshore Eligible Shareholder. The payment for the subscription price must be received by the Issuer in full without any deduction.

Acceptance/Rejection of Applications

The Company has full discretion to accept or reject all or a portion of any Application under the terms and conditions of the Offer. The actual number of Rights Shares to which any applicant may be entitled is subject to the confirmation of the Company. Applications where checks are dishonored upon first presentment, payment is insufficient, and Applications, together with the other required documents, which do not comply with the terms of the Offer shall be rejected. Moreover, payment received upon submission of an Application does not constitute approval or acceptance by the Company of the Application.

An Application, when accepted, shall constitute an agreement between the applicant and the Company for the subscription to the Rights Shares at the time, in the manner and subject to terms and conditions set forth in the Application and those described in the Prospectus. Notwithstanding the acceptance of any Application by the Company, the actual subscription and/or purchase by an applicant of the Rights Shares will become effective only upon listing of the Rights Shares on the PSE. If such condition is not fulfilled, all application payments will be returned to the applicants without interest and, in the meantime, the said application payments will be held in a separate bank account with the Stock Transfer Agent.

Refunds	In the event that an Application is rejected or the number of Rights Shares to be received is less than the number covered by the Application, then the Company shall refund payment made thereon, without interest, within five (5) Banking Days from the end of the Offer Period via check payable to the relevant applicant. Such refund checks shall be made available for pick up at the office of the Stock Transfer Agent, BDO Unibank, Inc. - Trust and Investments Group, at their office at 15th Floor, South Tower, BDO Corporate Center, 7899 Makati Avenue, Makati City. Refund checks that remain unclaimed after 30 days from the date such checks are made available for pick up shall be mailed at the applicant's risk to the address indicated in the Application.
Taxes on Issuance Of Rights Shares	All documentary stamp taxes applicable to the original issuance of the Rights Shares shall be for the sole account of the Company.
Registration and Lodgment of Shares with the Philippine Depository & Trust Corp.	Rights Shares are required to be lodged with the Philippine Depository & Trust Corporation (PDTC). Applicants must provide the required information in the Application to effect the lodgement. Applicants may request their shares in certificated form and receive stock certificates evidencing their investment in the Rights Shares through their respective brokers after full payment, lodgement and listing of the Rights Shares and in accordance with existing procedure. Any expense to be incurred in connection with such issuance of certificates shall be borne by the applicant.
Registration of Foreign Investments	Bangko Sentral ng Pilipinas ("BSP") requires that investments in shares of stock funded by inward remittance of foreign currency be registered with the BSP if the foreign exchange needed to service capital repatriation or dividend remittance is to be sourced from the domestic banking system. The registration with the BSP of all foreign investments in the Rights Shares shall be the responsibility of the foreign investor.
Underwriter	BDO Capital & Investment Corporation
Firm Commitment To Purchase	BDO Capital will firmly underwrite the Offer but no underwriting fees will be collected with respect to the Offer. In this connection, a shareholder, First Agri Holdings Corporation, has committed and undertaken to the Company and the Underwriter that it will subscribe, not just to its entitlement of the Rights Shares, but also any unsubscribed Rights Shares after the mandatory second round of the Offer. Thus, if the Shareholders (including First Agri) fail to subscribe to all the Rights Shares, the Underwriter will take up any remaining unsubscribed Rights Shares pursuant to its role as underwriter.
Stock Transfer Agent	BDO Unibank, Inc. - Trust and Investments Group
Independent Auditor	Reyes Tacandong & Co.
External Legal Counsel to the Issuer	Picazo Buyco Tan Fider & Santos

RISK FACTORS

Prospective investors should carefully consider the risks described below, in addition to the other information contained in this Prospectus, including the Company's financial statements and notes relating thereto included herein, before making any investment decision relating to the Offer. This section does not purport to disclose all the risks and other significant aspects of investing in the Offer. The Company's past performance is not an indication of its future performance. The occurrence of any of the events discussed below and any additional risks and uncertainties not presently known to the Company or are currently considered immaterial could have a material adverse effect on the Company's business, result of operations, financial condition and prospects and could cause the market price of the Common Shares to fall significantly and investors may lose all or part of their investment.

RISKS RELATING TO THE BUSINESS

Non-availability or any disruption in the supply of raw materials may materially disrupt the Company's operations.

The Company sources its sugar cane and other relevant raw materials requirements primarily from planters in Batangas and Negros Occidental. Volume and quality are among the main considerations in the sources of such products. The risk of supply shortage, however, poses a threat to the continuity in the business operations of the Company.

For its bioethanol business, on the other hand, the Company sources its molasses requirements from CACI and other planters and traders in Negros Occidental. Based on the Biofuels Act of 2006, such feedstock may only be procured from locally-produced sources. The supply of molasses in the local industry may however be not enough to meet the demand in the market. The risk of shortage poses a risk to the Company's bioethanol operations.

To mitigate this risk, the Company ensures that it maintains its good relationship with partner planters and traders and at the same time, the Company has adopted an aggressive strategy in relation to sourcing of cane and molasses, to ensure independence from any particular source of such raw materials.

Cyclicality in the supply of raw materials may adversely affect or materially disrupt the Company's operations.

The milling season for sugar cane in Nasugbu, Batangas runs from December until May, while the milling season in Negros Occidental runs from September until March each year. Any material adverse change in the crop yield, availability of raw materials, and/or disruption in the milling and refining operations of the Company may pose a risk in its financial and business prospects.

To mitigate this risk, the Company seeks to ensure, to the extent possible, the consistency and timeliness of supply of raw materials. The Company also seeks to implement cost reduction programs, such as but not limited to reducing plant downtime, lower fuel cost by using cheaper alternative sources, and improving plant facilities to enable efficient plant utilization.

Natural or other catastrophes, including severe weather conditions, may materially disrupt the Company's operations.

The Philippines has experienced a number of major natural catastrophes over the years, including, but not limited to, typhoons, floods, volcanic eruptions, landslides, and earthquakes, that may materially disrupt and adversely affect the Company's business operations. Moreover, weather and climate conditions, including its inherent volatility and the occurrence of extreme weather events due to global climate change, impacts the performance and management of the Company's operations and prospects.

The Company's expansion plans and capital expenditure outlays may not result profitably or achieve the expected benefits.

The strategic initiatives of the Company may include the expansion of its sugar milling and bioethanol facilities, development of a co-generation facility, or acquiring assets or businesses. These types of projects require substantial capital expenditures. There can be no assurance however that such projects will be completed on time and at the estimated cost, or at all. In addition, new projects involves a number of other risks, such as the diversion of the Company's attention from the existing business to integrating with the new project, possible adverse effects on the results of operations during the integration process, inability to achieve the intended objectives of the expansion or new project, and the potential unknown liabilities associated with the expansion or new project.

To address this risk, the Company seeks to adopt a business strategy that incorporates a conservative approach as to budget allocation and, at the same time, seeking competent and efficient contractors that can finish the projects on time and at the most reasonable cost.

The Company operates in a competitive market.

The market in which the Company operates is highly competitive and is served by a variety of established companies. Aside from domestic competition, the Philippines has historically had periods wherein there were significant imports of sugar from foreign-based producers. Another imminent risk is the gradual tariff reduction on imported sugar, which will go down to only 5%. This exposes the sugar industry as a whole to global competition. These, as a result, may cause the Company to lose market share, lower revenues, reduce its profit margins and adversely affect its operations and prospects.

To address this risk, the Company seeks to expand its business domestically and also strengthen its competitive position to adapt to the full implementation of the tariff reduction. It is the only sugar company that operates a refinery closest to Metro Manila and boasts of complementary production bases in Batangas and Negros Occidental which enable the Group to reach out to a wider network of customers all over the country and retain its top industrial clients despite stiff competition.

Continued compliance with environmental laws and regulations may adversely affect the results of operations and financial condition of the Company.

The Company's operations and products are subject to environmental laws, regulations and standards set forth by the government and various regulatory agencies, such as but not limited to, the SRA and the DOE, which may introduce new rules and policies or implement changes in the enforcement of existing laws and regulations, which in turn, could directly affect the operations and profitability of the Company. These regulations empower such government authorities to impose penalties on non-compliant companies, including the standard monetary fines and penalties. There can be no assurance that the Company will at all times be in full compliance with the laws and regulations in respect of environmental protection. In addition, the promulgation of any new environmental laws or regulations which require the Company to acquire equipment or incur additional capital expenditure would inevitably increase costs and affect its profitability and prospects. Continued compliance, on the other hand, also entails additional costs for the Company.

To mitigate this risk, the Company adopts a strong compliance culture and maintains good relationship with key regulatory agencies and local government agencies.

The Company's business could be harmed by strikes or work stoppages by its employees.

If a strike or work stoppage were to occur in connection with negotiations of the Company's significant collective bargaining agreements, or as a result of disputes under its collective bargaining agreements with labor unions, the Company's business, financial condition and results of operations could be materially and adversely affected.

To mitigate this risk, the Company seeks to maintain a good relationship with its employees.

The Company may face financial risks with its investments.

The Company and its subsidiaries are exposed to a variety of financial risks in relation to financial instruments that it holds under its investment portfolio. The Company's risk management is coordinated with its Board of Directors and focuses on actively securing the Company's short-to-medium term cash flows by minimizing the exposure to financial markets. The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The Company's financial investments are largely in the form of short-term time deposits.

The Company's reputation will be adversely affected if its products do not meet customers' requirements.

If any of the Company's customers or clients experience significant delays in supply, quality control issues or otherwise, this could have a negative effect on the Company's reputation and make it more difficult to attract new customers and clients. The Company cannot provide any assurance that such events will not occur in a manner that would adversely affect its results of operations or financial condition.

To address this risk, the Company's overall business strategy is geared to deliver on time and with top quality its products to its clients. The Company also maintains a good feedback mechanism with its clients.

The Company's existing indebtedness could adversely affect its financial health and ability to withstand adverse developments and prevent the Company from declaring dividends.

The Company has a significant amount of indebtedness and substantial debt service obligations. As of December 31, 2015, the Company had total outstanding long-term debt of Php 4,237 Million, which were obtained from various financial institutions.

The Company's substantial indebtedness could have important consequences. For example, it may, among other things:

- require the Company to dedicate a substantial portion of its operating cash flow to making periodic principal and interest payments on indebtedness, thereby limiting the Company's ability to take advantage of business opportunities and placing the Company at a competitive disadvantage compared to competitors that have less debt;
- make it more difficult for the Company to satisfy its obligations with respect to indebtedness;
- restrict the Company's ability to declare dividends;
- require the Company to agree to additional financial covenants; and
- restrict the Company's ability to incur additional capital expenditures, except in pursuance of its sugar expansion and ethanol project.

Any of the above listed factors could materially and adversely affect the Company's results of operations, financial condition, and cash flow.

Moreover, in relation to such indebtedness, the Company executed a mortgage trust indenture to secure the loans from its various lenders, which covers properties in Nasugbu, Batangas and La Carlota, Negros Occidental. The Company also mortgaged its properties in San Carlos, Negros Occidental, which are owned by SCBI, and pledged its shares of stock in SCBI. In case the Company defaults on its obligations, the mortgaged properties and pledged shares may be foreclosed and thus, materially and adversely affect its operations and financial prospects.

In order to mitigate this risk, the Company takes a prudent approach in its debt and capital structure. Moreover, it maintains a good relationship with various banks.

RISKS RELATING TO THE PHILIPPINES

Political or social instability could adversely affect the financial results of the Company.

The Philippines has from time to time experienced political, social and military instability and no assurance can be given that the future political environment in the Philippines will be stable. Political instability could negatively affect the general economic conditions and operating environment in the Philippines, which could have a material impact on the Company's business, financial condition and results of operation. In December 2011, the House of Representatives initiated impeachment proceedings against Renato Corona, Chief Justice of the Supreme Court of the Philippines for improperly issuing decisions that favored former President Arroyo, as well as for the failure to disclose certain properties, in violation of rules applicable to public employees and officials. In July 2013, a major Philippine newspaper reported the diversion and misuse of the Priority Development Assistance Fund by some members of Congress through pseudo-development organizations headed by Janet Lim Napoles, which prompted a number of investigations, including one in the Senate, on certain individuals. In September 2013, cases of plunder and malversation of public funds were filed with the Office of the Ombudsman against Janet Lim Napoles, three Senators, a few members of the House of Representatives and other Government personnel. In July 2014, a valid impeachment complaint, endorsed by three representatives from the House of Representatives, against President Aquino over his controversial budget spending program, the Disbursement Acceleration Program, was filed, and the House Committee on Justice has been mandated to handle the complaint. No assurance can be given that the political environment in the Philippines will stabilize and any political instability in the future could reduce consumer demand for retail and consumer goods to our disadvantage, or result in inconsistent or sudden changes in regulations and policies that affect our business operations, which could have an adverse effect on our results of operations and financial condition.

Terrorist activities may have an adverse impact on the Company's results of operations and financial performance.

The Philippines has been subject to sporadic terrorist attacks in the past several years. The Company's assets could be vulnerable to terrorist attacks due to their significant impact on local and national economic activity. The occurrence of a terrorist attack at one of the Company's assets could have a significant impact on the Company's business. There can be no assurance that the Philippines will not be subject to further terrorist or criminal activities in the future, and violent acts arising from, and leading to, instability and unrest may have a material adverse effect on the Company's financial condition, results of operations and prospects. In 2010, the hijacking of a tourist bus carrying Hong Kong tourists that resulted in the deaths of several passengers took place. The Government, through the Armed Forces of the Philippines ("AFP"), has clashed with members of several separatist groups seeking greater autonomy, including the Moro Islamic Liberation Front ("MILF"), the Moro National Liberation Front ("MNLF") and the New People's Army. On October 19, 2011, 19 AFP troops were killed in a firefight with MILF members in the southern region of the Philippines. On December 16, 2011, five AFP soldiers were killed in a clash with New People's Army members. In August, 2013, a series of bombings occurred in the cities of Cagayan de Oro and Cotabato City, as well as other areas in Maguindanao and North Cotabato provinces, all located in Mindanao, and in September, 2013, armed clashes took place between the MNLF and the AFP in Zamboanga City in Mindanao, with a number of civilians held hostage. On January 25, 2015, 44 members of the Special Action Force ("SAF") of the Philippine National Police were killed in a clash between the SAF and the MILF and Bangsamoro Islamic Freedom Fighters.

A slowdown in the Philippine economy could adversely affect the Company.

Results of operations of the Company are generally influenced by the performance of the Philippine economy. Any deterioration in the economic conditions in the Philippines may adversely affect consumer and business sentiment. There can also be no assurance that current or future governments will adopt economic policies that are conducive to sustaining economic growth. As a result, the Company's results of operations may vary from period to period in accordance with fluctuations in the Philippine economy which is in turn influenced by a variety of factors, including political, economic, and international developments, among others.

The occurrence of natural disasters or other catastrophes, severe weather conditions, or outbreaks of contagious diseases may materially adversely affect the Philippine economy and disrupt our operations.

The Philippines has experienced a number of major natural catastrophes over the years, including typhoons, droughts, floods, volcanic eruptions and earthquakes. There can be no assurance that the occurrence of such catastrophes will not materially disrupt our operations in the future. We could experience substantial inventory or property loss as a result of any such catastrophes and might not be able to rebuild or restore operations in a timely fashion. We maintain third-party insurance covering natural disasters such as fires, floods, typhoons and earthquakes, but we do not maintain business interruption insurance. Therefore, the occurrence of natural or other catastrophes or severe weather conditions could have an adverse effect on our business, financial condition and results of operations.

In 2003, Taiwan, the People's Republic of China, Singapore and other countries experienced an outbreak of Severe Acute Respiratory Syndrome ("SARS"), which adversely affected the economies of many countries in Asia, including the Philippines. In addition, since late 2003, a number of countries in Asia, including the Philippines, as well as countries in other parts of the world, have had confirmed cases of the highly pathogenic H5N1 strain of the avian influenza virus in birds. These cases severely affected the poultry and related industries and resulted in the death or culling of large stocks of poultry. In addition, certain countries in Southeast Asia have reported cases of bird to human transmission of avian influenza resulting in numerous human deaths. In 2009, a new strain of the H5N1 influenza virus, known as swine flu, was found to have been transmitted to humans. Following an initial outbreak in Mexico, swine flu has been contracted by humans around the world, including Southeast Asia, causing death in some instances. The contagious nature and global reach of this disease led the World Health Organization to describe the outbreak as a pandemic. Avian influenza, swine flu and SARS outbreaks have adversely affected, and any future outbreaks of these diseases or other contagious diseases could adversely affect, the Philippine economy and economic activity in the region and could have an adverse effect on our business, prospects, financial condition and results of operations.

Territorial and other disputes with China and a number of Southeast Asian countries may disrupt the Philippine economy and business environment.

The Philippines, China and several Southeast Asian nations have been engaged in a series of longstanding territorial disputes over certain islands in the West Philippine Sea, also known as the South China Sea. Despite efforts to reach a compromise, a dispute arose between the Philippines and China over a group of small islands and reefs known as the Scarborough Shoal. In April and May 2012, the Philippines and China accused one another of deploying vessels to the shoal in an attempt to take control of the area, and both sides unilaterally imposed fishing bans at the shoal during the late spring and summer of 2012. These actions threatened to disrupt trade and other ties between the two countries, including a temporary ban by China on Philippine banana imports, as well as a temporary suspension of tours to the Philippines by Chinese travel agencies. Since July 2012, Chinese vessels have reportedly turned away Philippine fishing boats attempting to enter the shoal, and the Philippines has continued to protest China's presence there. In January 2013, the Philippines sent notice to the Chinese embassy in Manila that it intended to seek international arbitration to resolve the dispute under the United Nations Convention on the Law of the Sea. China has rejected and returned the notice sent by the Philippines requesting arbitral proceedings. Despite China's rejection, in July 2015, the arbitral tribunal proceeded to hold a hearing on the jurisdiction and admissibility of the dispute. China, however, refused to participate in the hearing. Chinese vessels have also recently confronted Philippine vessels in the area, and the Chinese government has warned the Philippines against what it calls provocative actions. Recent talks between the Government of the Philippines and the United States of America about increased American military presence in the country, particularly through possible American forays into and use of Philippine military installations, may further increase tensions.

In early March 2013, several hundred armed Filipino-Muslim followers of Sultan Jamalul Kiram III, the self-proclaimed Sultan of Sulu from the south of the Philippines, illegally entered Lahad Datu, Sabah, Malaysia in a bid to enforce the Sultan of Sulu's historical claim on the territory. As a result of the illegal entry, these followers engaged in a three-week standoff with the Malaysian armed forces, resulting in casualties on both sides. Clashes between the Malaysian authorities and followers of the Sultan of Sulu have killed at least 98 Filipino-Muslims and 10 Malaysian policemen army since March 1, 2013. In addition, about 4,000 Filipino-Muslims working in Sabah have reportedly returned to the southern Philippines.

On May 9, 2013, a Philippine Coast Guard ship opened fire on a Taiwanese fisherman's vessel in a disputed exclusive economic zone between Taiwan and the Philippines, killing a 65-year old Taiwanese fisherman. Although the Philippine government maintained that the loss of life was unintended, Taiwan imposed economic sanctions on the Philippines in the aftermath of the incident. Taiwan eventually lifted the sanctions in August 2013 after a formal apology was issued by the Government of the Philippines. However, the incident has raised tensions between the two countries. Should territorial disputes between the Philippines and other countries in the region continue or further escalate, the Philippines and its economy may be disrupted and the Company's operations could be adversely affected as a result. In particular, further disputes between the Philippines and 48 other countries may lead to reciprocal trade restrictions on the other's imports or suspension of visa-free access and/or OFW permits. Any impact from these could materially and adversely affect the Company's business, financial condition and results of operations.

RISKS RELATING TO THE RIGHTS SHARES

There can be no guarantee that the Rights Shares will be listed on the PSE.

Although the PSE has approved the Company's application to list the Rights Shares, because the Listing Date is scheduled after the Offer Period, there can be no guarantee that listing will occur on the anticipated Listing Date. Delays in the admission and the commencement of trading of shares on the PSE have occurred in the past. If the PSE does not admit the Rights Shares for listing on the PSE, the market for these will be illiquid and holders who opted to pay the full Rights Offer Price may not be able to trade the Rights Shares. However, they would be able to sell these by negotiated sale. This may materially and adversely affect the value of the Rights Shares.

There may be no liquidity in the market for the Rights Shares and the prices of these may fall.

The Rights Shares will be listed on the PSE where trading volumes have historically been remarkably smaller than on major securities markets in more developed countries and have also been highly volatile. There can be no assurance that an active market for the Rights Shares will develop following the Offer or, if developed, that such market will be sustained. The price at which the Common Shares will be traded on the PSE at any point in time after the Offer may vary significantly from the Rights Offer Price.

Shareholdings of Eligible Shareholders who will not subscribe to the Rights Shares will be diluted

In the event that the Eligible Shareholders do not or are not able to subscribe to their provisional allotments of Rights Shares, their proportionate interest in the Company will be reduced. They may also experience dilution in the value of their Shares.

The market price of the Common Shares may be volatile, which could cause the value of investors' investments in the Company to decline.

The market price of securities fluctuates, and it is impossible to predict whether the price of such securities will rise or fall. An individual security may experience upward or downward movements, and may even lose its entire value. There is an inherent risk that losses may be incurred rather than profits made as a result of buying and selling securities. There may also be a substantial difference between the buying price and the selling price of each security.

Historical price performance is not a guide for future price performance and there may be a big difference between the purchase price of the securities and the eventual price at which these securities are sold. The market price of the Rights Shares will be influenced by, among other factors, the Company's financial position, results of operations, and overall stock market conditions, as well as Philippine economic, political, and other factors.

The Company's Common Shares are subject to Philippine foreign ownership limitations.

The Philippine Constitution and related statutes restrict land ownership to Philippine nationals. As of the date of this Prospectus, the Company owns private land in the Philippines and therefore foreign ownership in the Company is limited to a maximum of 40% of the Company's total issued and outstanding capital stock entitled to vote and 40% of the total outstanding capital stock, whether or not entitled to vote. The Company cannot allow the issuance or the transfer of shares to persons other than Philippine nationals and cannot record transfers in the books of the Company if such issuance or transfer would result in the Company ceasing to be a Philippine national for purposes of complying with nationality restrictions on land ownership. This restriction may adversely affect the liquidity and market price of the Rights Shares to the extent that international investors are restricted from purchasing these in normal secondary transactions.

The Company may be unable to pay dividends on the Common Shares.

Although the Company has adopted a dividend policy to declare regular cash and/or stock dividends of 35% of its annual earnings payable out of its unrestricted retained earnings and special dividends provided the declaration thereof shall not be detrimental to the Company's cash flow requirements, there is no assurance that the Company can or will declare dividends on the Common Shares in the future. Future dividends, if any, will be at the discretion of the Board and will depend upon the Company's future results of operations and general financial condition, capital requirements, its ability to receive dividends and other distributions and payments from its subsidiaries, foreign exchange rates, legal, regulatory and contractual restrictions, loan obligations and loan covenants, including loan obligations and loan covenants of its subsidiaries, and other factors the Board may deem relevant.

USE OF PROCEEDS

The Company expects to receive gross proceeds of approximately ₱1.118 billion from the Offer. After deducting the registration and licensing fees, listing fees, taxes, other fees and expenses related to the Offer, the net proceeds from the Offer is estimated to be ₱1.114 billion.

The following table presents the breakdown of the Offer proceeds at a Rights Offer Price of ₱4.19 per Rights Share:

Particulars	**Stock Rights Offer** *(Amounts in ₱)*
Gross Proceeds	1,117,699,151
Estimated Offer expenses:	
PSE Listing and Processing Fees	1,263,023
SEC Confirmation of Exempt Transaction	1,117,699
Estimated fee of Stock Transfer Agent	200,000
Documentary stamp tax	1,333,770
Total Offer Expenses	3,914,492
Estimated Net Proceeds	**1,113,784,659**

The net proceeds from the Offer will be used by the Company primarily to partially pay the short-term loan obligation of RPBC with the Bank of the Philippine Islands ("BPI"). As of February 29, 2016 it had an outstanding balance amounting to ₱1.6 billion with an interest rate of 3% per annum. The proceeds from the said loan were used by RPBC to partially finance its acquisition of San Carlos Bioenergy, Inc. in April 2015. The total purchase price for the acquisition of SCBI amounted to ₱1.7 billion, the balance of which was funded in cash by the Company. The Company intends to infuse cash into RPBC from the net proceeds of the Offer through shareholder advances. The funds received by RPBC from the Company will be used by RPBC to partially prepay its short-term loan obligation with BPI. The Company intends to partially prepay the loan by the 2nd half of 2016.

In order to generate reliable and robust source of steam power for the sugar milling and refining plant, the Company plans to acquire an additional 8MW steam turbine generator. In addition, the Company plans to improve milling efficiency through the installation of a heavy duty pressure feeder to the sugar plant milling equipment. The estimated cost of these equipments is approximately ₱350.0 million. The Company expects to procure these by the 2nd half of 2016.

Below is the schedule of the use of proceeds:

Use of Proceeds	Amount (in Php Mn)	Timetable
Partial Repayment of Short-Term Loans with BPI	750	2nd half of 2016
Capital Expenditures	350	2nd half of 2016
Total	**1,100**	

The foregoing discussion represents a best estimate of the use of the net proceeds of the Offer based on the Company's current plans. Actual use of the net proceeds may vary from the foregoing discussion and management may find it necessary or advisable to use portions of the net proceeds of the Offer for other purposes. In the event that there is any change in the Company's use of proceeds, the Company may temporarily reallocate the proceeds for other interim purposes, taking into consideration the prevailing business climate and the interests of the Company and the shareholders taken as a whole. In the event of any deviation, adjustment or reallocation in the planned use of proceeds, the Company will secure the approval of its Board of Directors for such deviation, adjustment or reallocation and promptly make the appropriate disclosures to the SEC and the PSE. The Company shall regularly disclose to the PSE, through the Online Disclosure System, any disbursements from the proceeds generated from the Offer.

The Company will not use any portion of the proceeds to reimburse any of its officers, directors, employees or shareholders for services rendered, asset previously transferred, or money loaned or advanced. The Company will not use the proceeds to pay any financial obligations with the Underwriter and its affiliates.

In the event of any deviation or adjustment in the planned use of proceeds, the Company shall inform its shareholders, the SEC and the PSE in writing 30 days before such deviation or adjustment is implemented. Any material or substantial adjustments to the use of proceeds, as indicative above, should be approved by the Company's Board of Directors and disclosed to the PSE. In addition, the Company shall submit via the PSE Electronic Disclosure Generation Technology ("EDGE") the following disclosure to ensure transparency in the use of proceeds:

a. Any disbursements made in connection with the planned use of proceeds from the Rights Offer.

b. Quarterly Progress Report on the application of the proceeds from the Rights Offer on or before the first 15 days of the following quarter. The Quarterly Progress Reports should be certified by the Company's Chief Financial Officer or Treasurer and external auditor.

c. Annual summary of the application of the proceeds on or before January 31 of the following year. The Annual Summary Report should be certified by the Company's Chief Officer or Treasurer and external auditor.

d. Approval by the Company's Board of Directors of any reallocation on the planned use of proceeds, or of any change in the Work Program.

The quarterly and annual reports as required in items (b) and (c) above must include a detailed explanation for any material variances between the actual disbursements and the planned use of proceeds in the Work Program or Prospectus, if any. The detailed explanation must state the approval of the Company's Board of Directors as required in item (d) above.

PLAN OF DISTRIBUTION

The Rights Shares shall be offered on a pre-emptive rights basis to existing shareholders of the Company as of the Record Date. The Offer shall be in the proportion of one (1) Rights Share for every 4.33 Common Shares held as of the Record Date at a Rights Offer Price of ₱4.19 per Rights Share. For any Offer Shares that may not be taken by the other Eligible Shareholders, the unexercised rights shall be offered to those shareholders who had previously exercised their rights and had simultaneously signified their intention [via payment of the total Rights Offer Price of the Rights Shares they wish to subscribe in excess of their entitlements (the "Additional Subscription")] to subscribe to any unsubscribed Rights Shares. The Additional Subscription which may be allocated to such applicant shall not exceed the lower of: (i) the number of Additional Subscription indicated on the Application by the applicant as Additional Subscription; or (ii) such number of unsubscribed Additional Subscription based on the percentage ownership of the applicant in the Company as of Record Date; provided, however, that the allocation of Additional Subscription shall always be subject to the discretion of the Company.

BDO Capital will firmly underwrite the Offer but no underwriting fees will be collected with respect to the Offer. In this connection, a shareholder of the Company, First Agri Holdings Corporation, has committed and undertaken to the Company and the Underwriter that it will subscribe, not just to its entitlement of the Rights Shares, but also any unsubscribed Rights Shares after the mandatory second round of the Offer. Thus, if the Shareholders (including First Agri) fail to subscribe to all the Rights Shares, the Underwriter will take up any remaining unsubscribed Rights Shares pursuant to its role as underwriter.

Holdings of existing Common Shares in certificated and scripless forms will be treated as separate holdings for the purpose of calculating entitlements under the Offer. Fractions of Rights Shares will not be allotted to existing shareholders and fractional entitlements will be rounded down to the nearest whole number of Rights Shares. Such fractions will be aggregated and sold for the benefit of the Company.

BDO Capital will firmly underwrite the Offer, the underwriting being a technical compliance underwriting undertaken pursuant to the requirements of the PSE. For and in recognition of the risk free nature of its underwriting commitment, the Underwriter has confirmed that it will not charge any underwriting or selling fees and commissions.

Relationship of the Underwriter with the Issuer

BDO Capital is the wholly-owned investment bank subsidiary of BDO Unibank, Inc. BDO Capital is a full-service investment house primarily involved in securities underwriting and trading, loan syndication, financial advisory, private placement of debt and equity securities, project finance, and direct equity investment. Other than as Underwriter for the Offer, BDO Capital does not have any material relationship with the Company. BDO Capital does not have any right to designate or nominate a member of the Board of the Company.

DILUTION

After the completion of the Offer, the Eligible Shareholders will not, as a consequence of their exercise of their rights to purchase their proportionate Rights Shares, suffer any dilution in their respective shareholdings in the Company.

The book value of the Company prior to the Offer is at ₱6.06 per share as of December 31, 2015. Book value represents the amount of the Company's total assets less its total liabilities. The Company's book value per share represents its book value less minority interest divided by the number of common shares outstanding.

After the increase in the Company's assets to reflect its receipt of the net proceeds of the Offer at a Rights Offer Price of ₱4.19 per Rights Share, estimated to be ₱1.114 billion and the addition of a total of 266,753,974 new Common Shares subject of the Offer, the Company's book value would approximately be ₱5.71 per share.

This represents a decrease of ₱.35 per share for existing shareholders and a dilution of ₱1.52 per share to Offer investors. This dilution in net tangible book value per share represents the estimated difference to Offer investors of the Rights Offer Price and the approximate pro-forma net tangible book value per share immediately following the receipt of the net proceeds of the Offer by the Company.

The calculation of the net tangible assets per share before and after the Offer is presented below:

Net tangible assets as of December 31, 2015 (in millions) (a) …………………………	₱7,000.42
Issued and outstanding common shares prior to the Offer (in millions) (b) ………….	1,155.04
Net tangible assets per share prior to the Offer (c)[1] …………………………………......	6.06
Offer Price (d) ……………………………………………………………………………......	4.19
Pro-Forma net tangible assets after the Offer (in millions)[2]……………………………..	8,114.42
Pro-Forma net tangible assets per Share after the Offer (e)……………………….….....	5.71
Increase per Share to Existing Shareholders attributable to the Offer[3]………..........	(0.35)
Dilution per Share to Offer investors[4]…...……………………………………………......	1.52

Note:

(1) Computed by dividing (a) by (b)
(2) Based on the net tangible assets of the Company as of December 31, 2015, adjusted to reflect the net proceeds from the Offer
(3) Computed by subtracting (c) from (e)
(4) Computed by subtracting (d) from (e)

DETERMINATION OF THE OFFER PRICE

The Rights Shares shall be offered to all Eligible Shareholders at the Rights Offer Price of ₱4.19 per Rights Share. The Offer Price represents a 10% discount to the Volume Weighted Average Price of the Company's Common Shares traded in the PSE for the 90-day trading day period immediately preceding the pricing date of April 27, 2016.

DESCRIPTION OF SECURITIES

The following is the general information relating to the Company's capital stock but does not purport to be complete or to give full effect to the provisions of law and is in all respects qualified by reference to the applicable provisions of the Company's Amended Articles of Incorporation and By-Laws.

Share Capital

The authorized capital stock of the Company is ₱1,500,000,000.00 consisting of 1,500,000,000 Common Shares with a par value of ₱1.00 per share. As of the date of this Prospectus, 1,155,044,707 Common Shares are subscribed and outstanding. Shares in treasury, on the other hand, consist of 17,643,480 Common Shares.

The Company is offering for subscription 266,753,974 Common Shares with a par value of ₱1.00 per share by way of a pre-emptive rights offering to eligible existing common shareholders of RHI at the proportion of one (1) Rights Share for every 4.33 Common Shares held as of Record Date at an Offer Price of ₱4.19 per Rights Share. Once the offering is completed, it is expected that the issued and outstanding capital stock of the Company shall be 1,421,798,681.

Any fractional share shall be disregarded in the computation of the Rights Share of each shareholder. Fractions of the Rights Shares will not be allotted to existing shareholders and any fractional entitlement will be rounded down to the nearest whole number of the Rights Shares. Such fractions will be aggregated and sold for the benefit of the Company.

Voting Rights

Each Common Share is equal in all respects to every other Common Share. All the Common Shares have full voting and dividend rights. At stockholders' meetings, every stockholder shall be entitled to one (1) vote for each share registered in his name.

Stockholders may vote in all meetings either in person or by proxy given in writing, signed by the stockholders concerned, and presented to the Company's Corporate Secretary at least ten (10) days before time set for the meeting, as provided in the By-Laws.

Cumulative voting is allowed. Each registered stockholder shall have the right to vote the number of shares standing in his name at record date and said stockholder may vote such number of shares for as many persons as there are directors to be elected, or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal or he may distribute them on the same principle among as many candidates as he shall see fit, provided that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Company multiplied by the total number of directors to be elected. A director may be removed from office, with or without cause, by the vote of stockholders representing two-thirds (2/3) of the outstanding voting capital stock, provided that removal without cause may not be used to remove a director elected by the minority stockholders.

The Corporation Code also provides that certain fundamental acts may only be implemented with stockholder approval. The following require the approval of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock:

- amendment of the Articles of Incorporation;
- removal of directors;
- sale, lease, exchange, mortgage, pledge or other disposition of all or substantially all of the assets of the corporation;
- investment of corporate funds in any other corporation or business or for any purpose other than the primary purpose for which the corporation was organized;
- issuance/declaration of stock dividends;
- delegation to the board of directors of the power to amend or repeal by-laws or adopt new by-laws;
- merger or consolidation;
- any increase or decrease of capital stock;
- extension or shortening of the corporate term; and
- creation or increase of bonded indebtedness.

Dividend Rights

The Company's Board of Directors is authorized to declare dividends. A cash dividend declaration does not require any further approval from the stockholders. A stock dividend declaration requires further approval of the stockholders holding or representing not less than two-thirds (2/3) of the Company's outstanding capital stock. The term "outstanding capital stock" refers to the total shares of stock issued, excluding treasury shares. Such approval of the stockholders may be given at a general or special meeting called for such purpose.

Dividends may be declared and paid out of the unrestricted retained earnings which shall be payable in cash, property, or stock to all stockholders on the basis of outstanding stock held by them, as often and at such times as the Board of Directors may determine and in accordance with law.

The Company has adopted a dividend policy to declare regular cash and/or stock dividends of 35% of its annual earnings payable out of its unrestricted retained earnings. As a policy, the dividends may be declared semi-annually with the record and payment dates to be set in consideration of the Company's existing financial covenants, prospective capital requirements for expansions and investments, and compliance with statutory requirements. Special dividends may also be declared provided the declaration thereof shall not be detrimental to the Company's cash flow requirements.

Pre-emptive Rights

The Corporation Code of the Philippines provides that all stockholders of a stock corporation shall enjoy pre-emptive right to subscribe to all issues or disposition of shares of any class, in proportion to their respective shareholdings, unless such right is denied by the articles of incorporation or an amendment thereto. However, the pre-emptive right of the shareholders of the Company has been denied under the Company's Articles of Incorporation.

Appraisal Rights

Under Philippine laws, stockholders dissenting from the following corporate actions may demand payment of the face value of their shares in certain circumstances:

- In case any amendments to the Company's articles of incorporation has the effect of changing and restricting the rights of any stockholder or of authorizing preferences over the outstanding shares;
- In case of any sale, lease, exchange, transfer, mortgage or other disposition of all or substantially all of the corporate property or assets;
- In case of merger or consolidation;
- In case the Company decides to invest its funds in another corporation or business or for any purpose other than the primary purpose; and
- Extension or shortening of the Company's corporate term.

In any of these circumstances, the dissenting shareholder may require the corporation to purchase its shares at a fair value, which, in default of agreement, is determined by three disinterested persons, one of whom shall be named by the shareholder, one by the corporation, and the third by the two thus chosen. Regional Trial Courts will, in the event of a dispute, determine any question about whether a dissenting shareholder is entitled to this right of appraisal. From the time the shareholder makes a demand for payment until the corporation purchases such shares, all rights accruing on the shares, including voting and dividend rights, shall be suspended, except the right of the shareholder to receive the fair value of such shares. No payment shall be made to any dissenting shareholder unless the corporation has unrestricted retained earnings sufficient to support the purchase of the shares of the dissenting shareholders.

Ownership Restrictions

The Philippine Constitution and related statutes restrict land ownership to foreign nationals. As of the date of this Prospectus, the Company owns private land in the Philippines and therefore foreign ownership in the Company is limited to a maximum of 40% of the Company's total issued and outstanding capital stock entitled to vote, and 40% of its issued and outstanding capital stock, whether or not entitled to vote. The Company cannot allow the issuance or the transfer of shares to persons other than Philippine nationals and cannot record transfers in the books of the Company if such issuance or transfer would result in the Company ceasing to be a Philippine national for purposes of complying with nationality restrictions on land ownership.

Stock Transfer Agent

The Company's stock and transfer book is maintained at the principal office of the Company's stock transfer agent, BDO Unibank, Inc. - Trust and Investments Group, located at the 15th Floor, South Tower, 7899 Makati Avenue, Makati City.

Change in Control

There are no existing provisions in the Amended Articles of Incorporation or the Amended By-laws of the Company which will delay, defer or in any manner prevent a change in control of the Company.

MARKET INFORMATION

The Common Shares of the Company are traded on the PSE under the symbol “ROX”.

The table below sets out the high and low share prices for the Company’s Common Shares as reported on the PSE for the past three (3) years.
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	2013				2014				2015			
(In ₱)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Low	3.00	2.90	2.35	2.28	5.48	5.61	6.50	6.75	6.66	6.24	5.47	3.05
High	3.01	3.00	2.50	7.30	6.42	8.06	7.00	6.94	6.80	6.39	5.78	6.55

On April 28, 2016, the closing price of the Company’s shares on the PSE was ₱4.80 per share.

Approval for the listing of the Rights Shares was obtained from the PSE on April 13, 2016. The Rights Shares are expected to be listed on the PSE on May 26, 2016.

Dividends

The Company’s ability to declare and pay dividends on its common equity is generally limited by the Corporation Code of the Philippines such as the prohibition on capital impairment and the limitation on the discretion of the Board of Directors to declare dividends based on their fiduciary duty, among others.

The Company has adopted a dividend policy to declare regular cash and/or stock dividends of 35% of its annual earnings payable out of its unrestricted retained earnings. As a policy, the dividends may be declared semi-annually with the record and payment dates to be set in consideration of the Company's existing financial covenants, prospective capital requirements for expansions and investments, and compliance with statutory requirements. Special dividends may also be declared provided the declaration thereof shall not be detrimental to the Company's cash flow requirements.

For the past four (4) years, the following dividends were declared:

Declaration Date	Record Date	Type	Amount of Dividends
17 September 2012	01 October 2012	Cash	₱0.06 per share
12 December 2012	28 December 2012	Cash	₱0.04 per share
07 August 2013	30 August 2013	Cash	₱0.06 per share
06 November 2013	20 November 2013	Cash	₱0.06 per share
06 August 2014	22 August 2014	Cash	₱0.12 per share
05 December 2014	22 December 2014	Cash	₱0.12 per share
19 August 2015	4 September 2015	Cash	₱0.12 per share

Recent Sale of Unregistered or Exempt Securities

No securities were sold by the Company within the past three (3) years which were not registered under the SRC.

On 12 July 2013, the SEC issued a resolution exempting the issuance of 35,000,0000 common shares for the Company's Employee Stock Option Plan 1 (ESOP 1) from the registration requirement of the SEC.

In addition, on 6 May 2014, the SEC issued a resolution exempting the issuance of 30,000,000 common shares for the Company's Employee Stock Option Plan 2 (ESOP 2) from the registration requirement of the SEC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The following management's discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the Company's audited consolidated financial statements as of and for the years ended September 30, 2014, 2015, including the related notes thereto, and the Company's unaudited consolidated financial statement as of and for the three months ended December 31, 2015 including the related notes thereto, contained in this Prospectus. This Prospectus contains forward-looking statements that are based largely on the Company's current expectations and projections about future events and trends affecting its business and operations. The Company cautions investors that its business and financial performance is subject to substantive risks and uncertainties. The Company's actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including, without limitation, those set out in the section "Risk Factors". In evaluating the Company's business, investors should carefully consider all of the information contained in "Risk Factors".

FOR THE THREE MONTHS ENDED DECEMBER 31, 2015 AND 2014

Results of Operations

For the three months ended December 31, 2015, consolidated revenues increased by 129% to ₱2.706 billion from ₱1.179 billion in 2014 due to higher revenues from raw and refined sugar, and alcohol. Refined sugar contributed ₱545 million, 765% higher than last year's sales of ₱63 million. Raw sugar sales also rose 58% equivalent to ₱455 million. Sales from alcohol climbed to ₱911 million in 2016, spurred by additional sales amounting to ₱339 million in 2015 from newly acquired San Carlos Bioenergy, Inc.

In spite of the increase in revenues, the Company's gross profit dropped to ₱113 million during the quarter from ₱181 million in 2015 due to high cost of manufacturing and aggressive sourcing of cane supply that necessitated the provision for milling incentives. Lower quality of canes pulled raw sugar recovery in CACI from 1.96 Lkg/TC in 2015 to 1.84 Lkg/TC in 2016, as well as in CADPI, where sugar recovery slid to 1.13 Lkg/TC in 2016 from 1.63Lkg/TC in 2015.

Total ton cane milled by CADPI and CACI reached 972,000 metric ton canes, 13% higher than the 863,000 metric ton canes in the previous year. The lower quality of ton canes milled caused sugar recovery to drop 11% to 1.744 Lkg/TC from 1.951 Lkg/TC. The Company's Negros mill was able to produce 1.545 million of raw sugar for the first quarter, lower than the 1.605 million Lkg for the same period in 2015. However, the Batangas plant was able to produce 151,049 Lkg of raw sugar during the quarter, higher than previous year's 80,206.

Higher planters' subsidy and productivity assistance, rising fuel cost, and salaries, wages and employee benefits, as well as depreciation jacked up the cost of production.

General and administrative expenses for the first quarter of 2016 was ₱241 million against ₱136 million in 2015 mainly due to increase in salaries and wages, taxes, depreciation and insurance.

Equity earnings from associate company increased by 95% to ₱39 million for the three months ended December 31, 2015 from ₱20 million for the three months ended December 31, 2014 due to better margins of Hawaiian-Philippine Company.

Interest expenses increased by 62% to ₱105 million for the first quarter of 2016 from P64 million in 2015, due to short term loan availments in 2016.

Consolidated net loss after tax for the three months period ended December 31, 2015, was ₱125 million versus net income after tax of ₱9 million for the three months period ended December 31, 2014, as a result of the factors described above. Net loss per share was ₱0.11 for the first quarter of 2016 versus ₱0.01 per share in 2015.

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) amounted to ₱144 million for the first quarter of 2016 versus ₱252 million in 2015.

Financial Condition

Consolidated total assets stands at ₱21.599 billion as at December 31, 2015, or ₱1.062 billion higher than the ₱20.537 billion as at September 30, 2015, due to higher receivables, buildup of inventories of finished products and increases in deferred tax assets.

Current assets went up by 26% or ₱934 million from ₱3.591 billion as at September 30, 2015 to ₱4.525 billion as at December 31, 2015.

Receivables increased by ₱240 million due to the change in customers demographics from traders to institutional accounts. Inventories likewise increased by ₱228 million in 2016 due to increased production in Negros.

Other current assets went up to ₱920 million as at December 31, 2015 from ₱626 million as at September 30, 2015 due to increases in deferral of offseason cost, excess input vat and creditable withholding taxes.

Investment in shares of stock of an associate decreased to ₱650 million in 2016 from ₱675 million in 2015 due to the declaration of cash dividend and as a result of higher earnings of HPCO. Equity in net earnings amounted to ₱39 million for the first quarter of 2016 and ₱20 million in 2015.

Property, plant and equipment went up to ₱14.462 billion as at December 31, 2015 from ₱14.373 billion as at September 30, 2015 due to additions to property, plant and equipment for operational efficiencies. Investment property remains at ₱311 million as at December 31, 2015 and as at September 30, 2015.

Provisional goodwill of ₱1.236 billion recognized in 2015 arising from the acquisition of SCBI remains the same in 2016.

Net deferred tax assets increased to ₱252 million in 2016 from ₱188 million in 2015 due to higher NOLCO.

Short-term borrowings increased to ₱4.520 billion as at December 31, 2015 from ₱3.269 billion as at September 30, 2015. Current portion of long-term borrowings decreased to ₱800 million as at December 31, 2015 due to payment of maturing loans of SCBI, from ₱1.245 billion as at September 30, 2015 which carries higher interest rates.

Trade and other payables slightly rose to ₱2.336 billion as at December 31, 2015 from ₱1.947 billion as at September 30, 2015. Trade payable increased by ₱438 million while Customers' deposits increased to ₱456 million in 2016 from ₱397 million in 2015.

During the first quarter of 2016, the Company availed of ₱1.252 billion short-term loans and repaid a total of ₱444 million in long-term borrowing.

Retirement liabilities increased to ₱245 million as at December 31, 2015 due to accrual of current service cost as per defined benefits plan as of September 30, 2015, from ₱233 million as at September 30, 2015.

Deferred income tax liabilities slightly increased to ₱1.043 billion in 2016 from ₱1.037 billion in 2015.

Total equity decreased to ₱8.396 billion as at December 31, 2015 from ₱8.515 billion as at September 2015 due to net loss after tax of ₱125 million for the first quarter ended December 31, 2015.

Return on total assets (ROA) decreased to -1% p.a. as at December 31, 2015 from 1% p.a. as at December 31, 2014.

The Company's Debt to Equity (DE) ratio improved to 1.57:1 as at December 31, 2015 from 1.17:1 in 2015 while Debt Service Cover Ratio (DSCR) decreased to 1.37:1 as at December 31, 2015 from 3.91:1 in 2015 The DE is well above the Company's debt covenants with the banks of maximum 2.33:1, while the DSCR ratio was way below the minimum 1.25:1 ratio.

The Company has a total of ₱5.650 billion unsecured short-term credit lines with various banks for its working capital requirements. Unused lines as at December 31, 2015 amounted to ₱1.130 billion. The total outstanding long-term debt as at December 31, 2015 of ₱5.037 billion are secured by various assets under a mortgaged trust indenture (MTI) and real estate mortgaged (REM). Total unpledged MTI assets available as security for future term debts amounts to ₱3.564 billion.

Book value per share decreased to ₱7.29 as at December 31, 2015 from ₱7.40 per share as at September 30, 2015 due to lower profitability and increase liability.

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

Key Performance Indicators

Performance Indicators	**1Q 2015-2016**	**1Q 2014-2015**
Raw sugar production	1.696 M bags	1.685 M bags
Refined sugar production	0.137 M bags	N/A*
Ethanol Production	17.082 M ltrs.	10.100 M ltrs.
Milling recovery	1.744 Lkg/TC	1.951 Lkg/TC
EBITDA	₱144 million	₱252 billion
Return on equity	(1%)	0.1%

** Refinery operations started on January 15, 2015. Refinery usually starts two months after the milling of raw sugar. In FY15, raw milling started later due to maturity/ripening of the sugar cane.*

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

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

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

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

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

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

FULL FISCAL YEAR 2014 – 2015

Results of Operations

Consolidated revenues amounted to ₱8.208 billion in 2015, 1% or ₱109M lower than the ₱8.317 billion consolidated revenues in 2014. The decline in the consolidated revenues is attributable to lower refined sugar and premium raw sugar revenues. Alcohol sales increased by ₱677 million, to ₱2.593 billion in 2015, inclusive of additional sales from newly acquired San Carlos Bioenergy, Inc. from ₱1.919 billion in 2014.

Consolidated gross profit of ₱1.044 billion in 2015 was ₱390 million or 27% lower than the ₱1.434 billion in 2014 due to lower volume of high margin products and higher fixed cost. The industry suffered a reduction in cane supply by approximately 5%. Negros area drops by 5% while Batangas area went down by 10%. CADPI and CACI tons cane milled went down by 635 metric tons in 2015, or 20% compared to 2014. Cost of production increased due to higher planters subsidy and productivity assistance, fuel cost, depreciation and salaries, wages and employee benefits.

General and Administrative expenses went up to ₱1.064 billion in 2015 against ₱756 million in 2014 mainly due to settlement in 2015 of certain tax assessment for prior years amounting to

₱100 million, cost of redundancy program amounting to ₱87 million and acquisition of San Carlos Bioenergy, Inc. in May 2015.

Equity earnings from associate company increased by 61% to ₱134 million in 2015 from ₱83 million in 2014 due to better margins of Hawaiian-Philippine Company.

Interest expenses decline by 14% to ₱271 million in 2015 from P315 million in 2014 due to lower interest rates.

Consolidated net income after tax amounted to ₱19 million compared to ₱615 million in 2014 as a result of the factors described above. Net earnings per share is at ₱0.01 in 2015 and ₱0.67 per share in 2014.

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) amounted to ₱966 million in 2015 and ₱1.699 billion in 2014.

Financial Condition

Consolidated total assets stands at ₱20.537 billion at the end of fiscal year 2015, or ₱5.837 billion higher than the ₱14.700 billion in 2014 as a result of the Company's acquisition of San Carlos Bioenergy, Inc., higher working capital and additional revaluation increase on its land assets.

Current assets went up by 59% or ₱1.331 billion to ₱3.569 billion in 2015 from ₱2.238 billion in 2014.

Receivables increased by ₱164 million due to the change in customers demographics from traders to institutional accounts. Inventories likewise increased by ₱943 million in 2015 in anticipation of first quarter sales commitments.

Other current asset went up to ₱604 million in 2015 from ₱468 million in 2014 due to excess input VAT and creditable withholding taxes in 2015.

Investment in shares of stock of an associate increased to ₱675 million in 2015 from ₱627 million in 2014 as a result of higher earnings of HPCO. Equity in net earnings amounted to ₱134 million in 2015 and ₱83 million in 2014.

Property, plant and equipment went up to ₱14.373 billion in 2015 from ₱11.397 billion in 2014 primarily due to the acquisition of San Carlos Bioenergy, Inc, and additions to property, plant and equipment for operational efficiencies.

Investment property increased to ₱311 million in 2015 from ₱206 million in 2014 mainly due to land owned by SCBI which are being held for capital appreciation.

Provisional goodwill of ₱1.236 billion was recognized in 2015 arising from the acquisition of SCBI in 2015.

Net deferred tax assets increased to ₱188 million in 2015 from ₱72 million in 2014 due to higher customers' deposit, retirement liabilities, NOLCO and revaluation increment on land of SCBI.

Short term borrowings and current portion of long-term borrowings increased to ₱3.269 billion and ₱1.245 billion, respectively, in 2015 from ₱719 million and ₱42 million, respectively in 2014 to support operational requirement and repayment of long-term debt of SCBI which carries higher interest rates.

Trade and other payables went up to ₱1.947 billion in 2015 from ₱627 million in 2014 as a result of higher customers' deposits, liability for off season repairs and addition to property, plant and equipment, and trade payables of newly acquired subsidiary, SCBI.

Income tax payable declined to ₱15 million in 2015 from ₱57 million in 2014 as a result of lower profit before income tax.

In 2015, the Company repaid a total of ₱1.352 billion in long-term borrowing compared to ₱1.673 billion in 2014.

Retirement liabilities increased to ₱233 million due to unfunded current service cost and re-measurement adjustment on defined benefits plan as of September 30, 2015.

Deferred income tax liabilities slightly decreased to ₱1.037 billion in 2015 from ₱1.057 billion in 2014.

Total equity increased to ₱8.351 billion in 2015 from ₱6.889 billion in 2014 with the acquisition of First Agri Holdings Corporation of the Company's treasury shares.

Return on total assets (ROA) decreased to 0.2% p.a. in 2015 from 4.2% p.a. in 2014.

The Company's Debt to Equity (DE) ratio improved to 1.41:1 in 2015 from 1.12:1 in 2014 while Debt Service Cover Ratio (DSCR) increased to 5.36:1 in 2015 from 3.9:1 in 2014 These are well above the Company's debt covenants with the banks of maximum 2.33:1 for DE and minimum 1.25:1 for DSCR.

The Company has a total of ₱5.650 billion unsecured short-term credit lines with various banks for its working capital requirements. Unused lines as of September 30, 2015 amounted to ₱2.386 billion. The total outstanding term-debt as of September 30, 2015 of ₱5.481 billion are secured by various assets under a mortgaged trust indenture (MTI) and real estate mortgaged (REM). Total unpledged MTI assets available as security for future term debts amounts to ₱3.564 billion.

Book value per share decreased to ₱7.39 in 2015 from ₱7.65 in 2014 due lower profitability and increase liability.

Key Performance Indicators

The table below represents the key performance indicators of the Company for the period 2014-2015:

Performance Indicators	2014-2015
Raw sugar production	5.046 M bags
Refined sugar production	2.821 M bags
Ethanol Production	69.355 M ltrs.
Milling recovery	1.938 Lkg/TC

EBITDA	₱966 million
Return on equity	0.2%

Batangas Operations

Central Azucarera Don Pedro Inc.'s raw production for crop year 2014-2015 decreased by 13% to 2.171 million Lkg versus last year's 2.511 million Lkg. The decrease is due to lower supply of sugar cane in Batangas area by 10%. Sugar recovery slightly increased from 1.83 Lkg/TC to 1.86 Lkg/TC. Refined sugar production increased by 0.766 million Lkg or 37% increase versus last year production of 2.057 million Lkg. The increase is due to extended milling of refinery operations, using cheaper bunker fuel oil.

Negros Operations

Central Azucarera de la Carlota Inc. raw production for crop year 2014-2015 decreased by 20% to 2.875 million Lkg versus last year's 3.614 million Lkg. due to lower ton cane milled. The decrease is due to lower supply of cane in the Negros region by 5%, lower sugar recovery, and pole-vaulting of sugar planters to other mills. Sugar recovery decreased, from 2.007 Lkg/TC to 1.996 Lkg/TC.

Roxol Bioenergy Corp's ethanol production for the fiscal year increased by 26% to 40.522 million liters versus last year's 32.258 million liters. Alcohol yield increased by 7% from 251 liters to 270 liters per ton of molasses.

San Carlos Bioenergy, Inc. production from May-September 2015 was 9.783 million liters with an average yield of 242 liters per ton of molasses.

FULL FISCAL YEAR 2013 – 2014

Results of Operations

Consolidated revenues grew by 38% in 2014 to ₱8.317 billion versus ₱6.065 billion in 2013, with sales from both sugar and alcohol products registering significant growths. Alcohol sales of Roxol led the biggest growth as it started full commercial operations this year with revenues hitting ₱1.919 billion in 2014 compared to only ₱377 million in 2013.

Consolidated gross income of ₱1.434 billion in 2014 was 13% lower than 2013 due to lower margins on sugar sales. The higher gross margins on alcohol sales partially mitigated the lower sugar margins. Cost of production increased mainly due to higher cost of materials used.

General and administrative expenses increased by ₱108 million to ₱732 million in 2014 versus P624 million in 2013 due to increase in salaries and wages, reclassification of security cost from cost of goods sold to operating expenses and other expenses.

Equity earnings from associate company, Hawaiian-Philippine Company improved by 22% to ₱83 million in 2014 from ₱68 million in 2013 due to better margins from lower cost of sales.

Interest expenses decreased by 20% to ₱315 million in 2014 compared to ₱391 million in 2013. The Company paid over ₱2 billion of its total bank loans, down from ₱7.86 billion to ₱5.86 billion. The Company successfully negotiated new term-loan facilities to refinance its remaining

₱5.1 billion term debts at a lower fixed interest of 4.5% with principal maturities from 7 to 10 years inclusive of 2 to 3 years grace period.

Consolidated net income after tax improved by 27% to ₱615 million in 2014 compared to ₱485 million in 2013. Net earnings per share of ₱0.67 in 2014 is 27% higher versus ₱0.53 per share in 2013.

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) amounted to ₱1.669 billion.

Financial Condition

Consolidated total assets stands at ₱14.700 billion in 2014 or ₱386 million lower than 2013 figure of ₱15.121 billion due to the decrease in current assets from improved turnover of trade receivables and inventories and from the revaluation increment of its land assets.

Current assets of ₱2.238 billion in 2014 was lower by 37% or ₱1.319 billion compared to ₱3.557 billion in 2013 as improved collection efforts reduced trade receivables by 20% or ₱266 million while aggressive sales and marketing reduced inventories by 66% or ₱1 billion.

Other current asset is almost the same at ₱468 Million as of September 30, 2014 and 2013.

Investment in shares of stock of an associate increased to ₱630 million in 2014 from ₱612 million in 2013 due to higher earnings of HPCO. Equity in net earnings for 2014 amounted to ₱83 million compared to ₱68 million in 2013.

Property, plant and equipment increased to ₱11.4 billion in 2014 due to revaluation increment of land by ₱1.02 billion.

Investment properties increased to ₱206 million in 2014 from ₱192 million in 2013 due to appraisal increase on land being held for capital appreciation.

Retirement plan assets amounted to ₱135 million in 2014 against nil in 2013 due to increase in valuation of investment.

Other non-current assets increased to ₱25 million in 2014 from ₱16 million in 2013.

Short term loans and current portion of long term loans decrease to₱761 million in 2014 versus ₱1.178 billion in 2013 due to successful negotiation on a new term loan facilities.

Accounts payable decreased to ₱627 million in 2014 compared to ₱667 million in 2013.

Income tax payable slightly increased to ₱57 million in 2014 from ₱52 million in 2013 due to profitability of the Company.

The Company's long term debt went down to ₱5.1 billion in 2014 as against ₱6.7 billion in 2013 due to payment of ₱1.5 billion.

Retirement liabilities decreased to ₱169 million in 2014 compared to ₱226 million in 2013 due to re-measurement gain on retirement assets.

Deferred income tax liabilities, net increased to ₱1.057 billion in 2014, an increase of 41% compared to ₱760 million in 2013, mainly due to the revaluation increment in properties.

Return on total assets (ROA) increased to 4.2% p.a. in 2014 from 3.2% p.a. in 2013.

The Company's Debt to Equity (DE) ratio further improved from to 1.12:1 in 2014 versus 1.72:1 in 2013 while Debt Service Cover Ratio (DSCR) increased to 5.36:1 in 2014 from 3.9:1in 2013 These are well above the banks' term-debt requirements of maximum 2.33:1 for DE ratio and minimum 1.25:1 for DSCR.

The Company has a total of ₱4.1 billion unsecured short-term credit lines with various banks for its working capital requirements. Unused lines as of September 30, 2014 amount to ₱3.38 billion. The total outstanding term-debt as of September, 2014 stood at ₱5.1 billion secured by various assets under a mortgaged trust indenture (MTI). Total unpledged MTI assets available as security for future term debts is at ₱2.76 billion.

Book value per share increased by 25% to ₱7.65 per share in 2014 from ₱6.12 per share in 2013, due to the continued profitability of the Company and revaluation increment on properties. The company approved a minimum 35% annual dividend payout policy on net income payable semi-annually. Following this, it declared the first half of the dividends at ₱0.12 per share in September, 2014 and the second half in December 2014. Dividend yield based on beginning book value per share is at 3.9% p.a.

Total shareholder's equity of ₱6.956 billion in 2014 which is 25% higher than 2013 figure of ₱5.563 billion. Return on equity increased from 8.5% p.a. in 2013 to 8.8% p.a. in 2014.

Key Performance Indicators

The table below represents the key performance indicators of the Company for the period 2013-2014:

Performance Indicators	2013-2014
Raw sugar production	5.984 M bags
Refined sugar production	2.057 M bags
Ethanol Production	32.258 M ltrs.
Milling recovery	1.983 Lkg/TC
EBITDA	₱1.669 billion
Return on equity	9%

Batangas Operations

Central Azucarera Don Pedro Inc.'s raw production for crop year 2013-2014 decreased by 7% to 2.511 million Lkg versus crop year 2012-2013 figure of 2.706 million Lkg. Sugar recovery decreased from 1.91 Lkg/TC to 1.83 Lkg/TC. Refined sugar production was down to 2.057 million Lkg. in 2014 versus 2.395 million Lkg in 2013 or a 14% decline due to lower sugar refining recovery.

Negros Operations

Central Azucarera de la Carlota Inc.'s raw production for crop year 2013-2014 decreased by 12% to 3.473 million Lkg versus the production of 4.119 million Lkg in crop year 2012-2013, due to unfavorable weather condition and lower sugar recovery. Sugar recovery decreased, to 2.030 Lkg/TC in 2014 from 2.137 Lkg/TC in 2013 also due to unfavorable weather condition and operational concerns.

Roxol Bioenergy Corp's ethanol production for 2014 increased by 126% to 32.3 million liters versus 2013 production of 14.2 million liters as the Company became fully operational in 2014. Alcohol yield increased by 113% from 227 liters to 256 liters per ton of molasses.

External Audit Fees and Services

The external auditors of the Company, Reyes Tacandong & Co., billed the amounts of ₱4.21 million in 2013, ₱4.58 million in 2014, and ₱4.87 million in 2015 as fees for professional services rendered for the audit of the Company's annual financial statements and services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements for 2013, 2014 and 2015.

No other services were rendered or fees billed by the external auditors of the Company for 2013, 2014 and 2015.

The engagement of the external auditors of the Company as well as the handling partner is approved by the Audit Committee, the Board of Directors and the stockholders of the Company. The selection of external auditors is made on the basis of credibility, professional reputation, accreditation with the SEC, and affiliation with a reputable foreign partner. The professional fees of the external auditors of the Company are approved by the Company's Audit Committee after approval by the stockholders of the engagement and prior to the commencement of each audit season.

INTERESTS OF NAMED EXPERTS AND COUNSEL

Independent Auditor

The audited financial statements of the Company as of the fiscal years ended September 30, 2013, 2014 and 2015, which are also incorporated by reference in this Prospectus, have been audited by the auditing firm of Reyes Tacandong & Co.

Reyes Tacandong & Co., external auditor of the Company, has no shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities in the Company in accordance with the professional standards on independence set by the Board of Accountancy and the Professional Regulation Commission. The external auditor will not receive any direct or indirect interest in the Company or in any securities thereof (including options, warrants or rights thereto) pursuant to or in connection with the Offer.

Legal Counsel

The validity of the Rights Shares and other matters concerning the Offer were passed upon for the Company by Picazo Buyco Tan Fider & Santos, the legal adviser of the Company for the Offer.

Picazo Buyco Tan Fider & Santos has no shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities in the Company The legal counsel will not receive any direct or indirect interest in the Company or in any securities thereof (including options, warrants or rights thereto) pursuant to or in connection with the Offer.

THE COMPANY

Business

Roxas Holdings, Inc. (RHI) is an integrated sugar company that has expanded its business interests to include bioethanol and co-generation. It was listed at The Philippine Stock Exchange, Inc. on August 8, 1996, and is presently traded therein under the symbol ROX (PSEi: ROX).

The Company, together with its affiliate, Hawaiian-Philippine Company, are among the biggest raw sugar producers in the country with a combined capacity of thirty six thousand five hundred (36,500) metric tons cane per day. The Company also owns the second largest sugar refinery with a capacity of eighteen thousand (18,000) Lkg. per day and the two (2) biggest ethanol producers in the country with a combined daily production capacity of two hundred seventy five thousand (275,000) liters. Its properties are mainly located in Batangas and Negros Occidental.

The Company, then known as Central Azucarera Don Pedro (CADP), started operating as a sugar mill in Nasugbu, Batangas in 1927. Through the years, the Company has evolved into what is now known as RHI with the following principal operating subsidiaries: Central Azucarera Don Pedro, Inc. (CADPI), a sugar company in Nasugbu, Batangas; Central Azucarera de la Carlota, Inc. (CACI), also a sugar company situated in La Carlota City, Negros Occidental; Roxol Bioenergy Corporation (Roxol), a bioethanol company situated in La Carlota City, Negros Occidental; and San Carlos Bioenergy, Inc. (SCBI), another bioethanol company located in San Carlos City, Negros Occidental. SCBI, which was incorporated and registered with the SEC on May 26, 2005, operates an integrated sugar mill and bioethanol distillery complex, which started commercial operations for production of bioethanol fuel and electricity on March 1, 2009 and October 2011 for the production of sugar syrup.

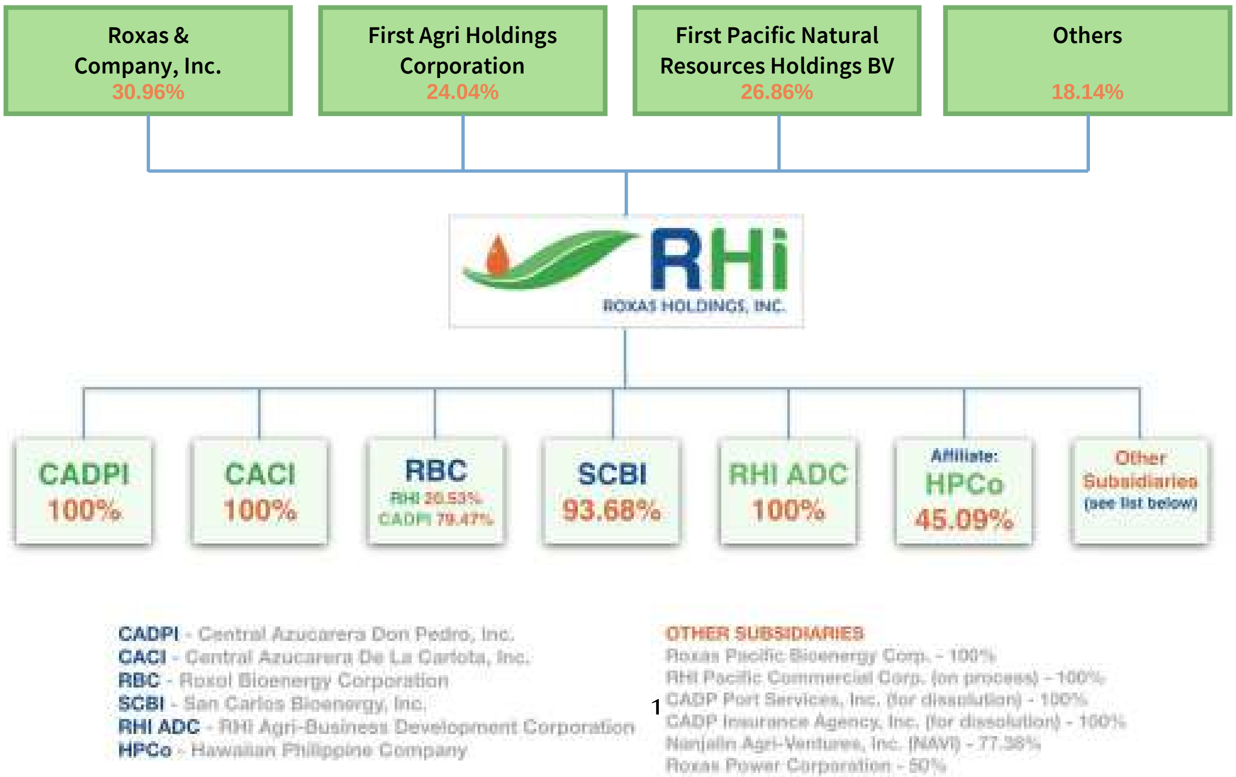
RHI also owns Najalin Agri-Ventures, Inc. (NAVI), a corporate farm located in La Carlota City, Negros Occidental, and holds a 45.09%-equity investment in Hawaiian-Philippine Company (HPCO), a sugar company located in Silay City, Negros Occidental.

Below is the list of the Company's subsidiaries and conglomerate map:

Subsidiary	Ownership	Nature of Business
Central Azucarera Don Pedro, Inc.	100%	Production and selling of raw and refined sugar, molasses and related products
Central Azucarera de la Carlota, Inc.	100%	Production and selling of raw sugar and molasses
CADP Insurance Agency, Inc.	100%	Insurance agency
Roxol Bioenergy Corp.	100%	Production and selling of bioethanol fuel and trading of goods such as sugar and related products
CADP Port Services, Inc.	100%	Providing ancillary services
RHI Agri-Business Development Corp.	100%	Agricultural business
Roxas Pacific Bioenergy Corporation	100%	Holding company for bioethanol investments
RHI Pacific Commercial Corp.	100%	Selling arm of RHI Group

San Carlos Bioenergy, Inc.	94%[1]	Production and selling of bioethanol fuel
Najalin Agri Ventures, Inc.	77%	Agricultural and industrial development
Roxas Power Corporation	50%	Sale of electricity

1 Shares are held through RPBC. The remaining 6.32% is owned by National Development Company.



1 Shares are held through RPBC, a wholly-owned subsidiary of the Company

Considered an industry leader, the Company continuously sets the pace and the standards for the sugar and bioethanol businesses in the country and in the ASEAN region by scouting for and pursuing opportunities. In May 2015, RHI partnered with Global Business Power Corporation for a detailed study of the technical requirements and investment cost, which is under a Front-End Engineering Design contract, for a forty (40) megawatt cogeneration facility in CACI which will allow the Company to take advantage of the opportunities in the renewable energy sector.

Amid the challenges that come with the ASEAN integration, RHI thrives in a strong and young domestic market and is gradually setting its sights in the region. It is the only sugar company that operates a refinery closest to Metro Manila and boasts of complementary production bases in Batangas and Negros Occidental which enable the Company to reach out to a wider network of customers all over the country and retain its top industrial clients despite stiff competition.

Principal Products and Services

a) Sugar

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

b) Tolling/Refining

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

c) Bioethanol

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

d) Power

Aside from the production of bioethanol, SCBI also operates a power co-generation facility in San Carlos City, Negros Occidental that provides power to the grid. It has a rated capacity of eight (8) MW.

Below are the Company's principal products, markets, relative contribution to sales and revenues of CADPI, CACI, Roxol and SCBI:

	Year Ended September 30, 2015									
	CADPI	**%**	**CACI**	**%**	**RBC**	**%**	**SCBI**	**%**	**Total**	**%**
Sugar:										
Refined sugar	2,211,218	66%	70,165	4%	237,604	11%	-	0%	2,518,987	31%
Raw sugar	341,923	10%	1,905,154	96%	-	0%	-	0%	2,247,077	27%
Molasses	418,204	12%	-	0%	-	0%	-	0%	418,204	5%
Tolling fees	381,586	11%	-	0%	-	0%	-	0%	381,586	5%
Liquid sugar	-	0%	-	0%	-	0%	38,336	6%	38,336	0%
Others	-	0%	-	0%	-	0%	7,703	1%	7,703	0%
	3,352,931	100%	1,975,319	100%	237,604	11%	46,039	7%	5,611,893	68%
Alcohol	-	0%	-	0%	1,982,319	89%	614,184	93%	2,596,503	32%
Total	**3,352,931**	**100%**	**1,975,319**	**100%**	**2,219,923**	**100%**	**660,223**	**100%**	**8,208,396**	**100%**
% Contribution to Total Revenues	**41%**		**24%**		**27%**		**8%**		**100%**	

For the 1st Quarter Ended December 31, 2015										
	CADPI	%	CACI	%	RBC	%	SCBI	%	TOTAL	%
Sugar:										
Refined sugar	544,778	98%	-	0%	-	0%	-	0%	544,779	20%
Raw sugar	-	0%	1,229,785	100%	-	0%	-	0%	1,229,786	45%
Molasses	11,380	2%	-	0%	-	0%	-	0%	11,380	0%
Tolling fees	-	0%	-	0%	-	0%	-	0%	-	0%
Liquid sugar	-	0%	-	0%	-	0%	-	0%	-	0%
Others	-	0%	-	0%	-	0%	8,662	2%	8,662	0%
	556,158	100%	1,229,785	100%	-	0%	8,662	2%	1,794,607	66%
Alcohol	-	0%	-	0%	470,832	100%	440,414	98%	911,247	34%
Total	**556,158**	**100%**	**1,229,785**	**100%**	**470,832**	**100%**	**449,075**	**100%**	**2,705,854**	**100%**
% Contribution to Total Revenues	**21%**		**45%**		**17%**		**17%**		**100%**	

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

It is the owner and operator of one of the largest sugar mills and the second largest sugar refinery in the country, the properties of which are located in Batangas and Negros Occidental, respectively. RHI was among the first movers in the country's bioethanol industry and to date, it is the biggest producer of bioethanol fuel in the country.

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

Distribution methods

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

Roxol and SCBI sell bioethanol fuel to the domestic market directly to oil companies. All of the major oil companies purchase their ethanol requirements from the Company.

Competition

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

Roxol and SCBI supply bioethanol fuel to oil companies. Roxol and SCBI are two (2) of the few bioethanol fuel producers, among which are Green Futures Innovations, Inc., Leyte Agri Corp., and Cavite Biofuels Producers Inc. Several other companies are expected to start up their bioethanol business within next year.

Suppliers

CADPI sources its sugar cane requirements principally from planters in Batangas. CADPI has existing agreements with such planters on an agreed sharing basis. Its principal suppliers of other materials and services are: Phoenix Petroleum Philippines, Inc., Lucky Fourteen Trucking, Global Trucking Services, Pico De Loro Trading, H.T. Mining Products Resources Corporation, Pilipinas Shell Petroleum Corporation, 3i International Security Services, Inc., Fabcon Philippines Inc., United Labor Service Cooperative, Unibag Manufacturing Corp. Fuel Options, Inc., Selectra Construction Corp., PAPISSS Inc., Ecophil Construction Corporation, St. Therese Instrumentation and Control Supply, CADP Multi Purpose Cooperative, Kim Bryce Trading & Construction, Netsuite Inc., Arlo P. Brucal Construction and General Services, and PN Kumintang Trading and General Services.

CACI sources its sugar cane requirements from various planters/traders in Negros Occidental. Similar to CADPI, CACI also has existing agreements with such planters on an agreed sharing basis. Its affiliate, Najalin Agri-Ventures, Inc., which owns a parcel of land that has been leased to a group of sugar planters, supplies a small percentage of the sugar cane requirements of the Company. Its major suppliers of materials and services are: Schuurmans & Van Ginneken Phils., Inc., Lyl Marketing, All Asian Countertrade, Inc., Bernabe Const. & Industrial Corp., All Asian Bioethanol Corporation, Biscom, Inc., Crystal Sugar Company, Inc., Victorias Milling Company, Inc., Hawaiian Philippines Company, United Molasses Marketing Philippines, Inc., MMC Engineering Work Dealer, Ecophil Construction Corp., Petron Corporation, J & P Asia Incorporated, W. Sy Trucking Services, Prefam Builders, Geonanga Manpower Services, Lifeguard Archangels Security Agency Corporation, Migros Agricultural Products and Supply, and Delmax Trading Corporation.

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

SCBI sources its sugarcane and molasses requirements from the planters in San Carlos City, Negros Occidental. Its principal suppliers of other materials and services are: Petron Corporation, Almark Chemicals Corporation, Nalco Philippines, Negros Marketing, Liberty First Enterprises, JC Liberty Development Corp., Chemtrust Unlimited Sales & Services, Inc., Fugelman Services Provider, Inc., Able Services, Inc., Buenavista Lime Plant, Inc., Bohol Lirio, TX Builders, 777 G & P Industrial Services, Vapor Industrial Services, Winston Roxas Construction, United Bearing Industrial Corp., Sealand Industrial Supplies, Integrated Scientific & Industrial Supply, RM Carrier Corporation, and Central Gas Corporation.

Transactions with and/or dependence on related parties

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

Roxol and SCBI's principal customers for their bioethanol fuel products are Seaoil Philippines, Inc., Flying V, Shell, Petron, Chevron, Unioil, TWA, and Phoenix.

Loan Obligations

As of December 31, 2015, the Company's consolidated loan obligations amounted to ₱9.24 billion, of which ₱4.52 billion are short-term loans, and the remaining ₱5.04 billion are long-term loans, of which ₱0.8 billion represents the current portion of long-term debt. The short-term and the long-term loans carry an interest rate ranging from 2.75% to 3.50% p.a. and 3.38% to 5.8% p.a., respectively.

Certain properties of the Company in Nasugbu, Batangas and La Carlota, Negros Occidental are under a mortgage trust indenture, which serves to secure certain loan obligations of the Company.

Patents, Trademarks and Copyrights

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

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

Research and Development

To enhance productivity, efficiency, reduce costs and strengthen the competitiveness of the Company, the Company engages in research and development to identify improvements that can be made to its production processes.

CADPI contributes Php2.00 per Lkg of sugar produced to the Philippine Sugar Research Institute Foundation, Inc. (PHILSURIN) in compliance with SRA Sugar Order No. 2, Series of 1995. During the last five (5) years, CADPI contributed about Php20 million to research and development and this amount constitutes 0.1% of its revenues.

CACI likewise contributes Php2.00 per Lkg. to PHILSURIN. During the last five (5) years, CACI contributed about Php24 million to research and development and this amount constitutes

0.14% of its revenues.

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

Employees

As of February 2016, RHI and its subsidiaries had a total of 1,061 employees, which is broken down as follows:

	No. of Employees
Executive	15
Managers	211
Professional Technical (Supervisors)	251
Monthly Rank and File Employees	103
Daily Rank and File Employees	479
Total	**1,059**

As of 31 December 2015, CADPI has a standing Collective Bargaining Agreement (CBA) with the Batangas Labor Union (BLU) for a period of five (5) years from 1 July 2011 to 30 June 2016. It has total members of 160. For the past three (3) years, the labor union of CADPI has not staged a strike.

CACI, on the other hand, has two (2) labor unions, namely, Mag-Isa Mag-Ugyon Asosasyon Sang Mamumugon Sa Central Azucarera de la Carlota (MMAMCAC) and Association of Foremen and Technical Employees of CACI (AFTECACI). As of 31 December 2015, CACI has a CBA with MMAMCAC for a period of five (5) years from June 2010 to May 2015. They are currently in negotiations to renew the agreement with the said union. It has total members of 233. For the past three (3) years, the labor union of CACI has not staged a strike. AFTECACI, on the other hand, was only formed recently. CACI has yet to sign a CBA with AFTECACI.

For Roxol and SCBI, both are not unionized as of 31 December 2015.

Property

Below is a list of the properties owned by the Company:

COMPANY	LOCATION	AREA IN SQM	TCT No.
LAND AT APPRAISED VALUES			
CADPI	Lumbagan, Nasugbu, Batangas	2,364,520	738
CACI	La Carlota - La Castellana Road	21,132	T-10344
	La Carlota - La Castellana Road	50,000	T-10343
	La Carlota - La Castellana Road		
	Barangay RSB (Roberto S. Benedicto), La Carlota City, Negros Occidental	13,971	T-10346
	Barangay RSB (Roberto S. Benedicto), La Carlota City, Negros Occidental	356,439	T-10345
	Barangay RSB (Roberto S. Benedicto), La Carlota City, Negros Occidental	178,013	T-10350
	Barangay RSB (Roberto S. Benedicto), La Carlota City, Negros Occidental	1,155	T-10347
	Hacienda Najalin, Barangay Nagasi	36,972	T-10342
	Hacienda Najalin, Barangay Nagasi	117,859	T-10341
	Hacienda Najalin, Barangay Nagasi	793	T-10340
	Hacienda Najalin, Barangay Nagasi	253	T-10339
	Hacienda Najalin, Barangay Nagasi	875	T-10338
	Hacienda Najalin, Barangay Nagasi	768	T-10337
	Hacienda Najalin, Barangay Nagasi	189,167	T-10334
	Hacienda Najalin, Barangay Nagasi	1,909	T-10335
	Hacienda Najalin, Barangay Nagasi	3,346	T-10336
	Sitio Paet, Barangay Batuan, La Carlota City, Negros Occidental	20,000	10348
	Sitio Paet, Barangay Batuan, La Carlota City, Negros Occidental	20,000	10349
	National Road, Barangay Robles, Municipality of La Castellana, Province of Negros Occidental	23,000	T-237078
	Barangay To-oy, himamaylan City, Negros Occidental	10,000	T-237079
	Barangay Poblacion, Municipality of Pontevedra, Negros Occidental	881	T-237076
	Barangay San Juan, Municipality of Pontevedra, Negros Occidental	50,021	T-237077
	Barangay Tagda, Municipality of Hinigaran, Negros Occidental	1,972	T-237075
ROXOL	Barangay La Granja & Eperanze, La Carlota City, Negros Occidental	391,826	T-11673
	Access Road, Barangay Cubay, La Carlota City, Negros Occidental	32,583	T-12012
SCBI	Barangay Palampas & Punao, San Carlos City, Negros Occidental	257,845	T-20064

COMPANY	LOCATION	AREA IN SQM	TCT No.
INVESTMENT PROPERTIES			
RHI	Barangay Poblacion, Bacolod City	2,824	T-337801
	Barangay La Granja and Nagasi, La Carlota City, Negros Occidental	442,935	T-10060
	Barangay La Granja and Nagasi, La Carlota City, Negros Occidental	582,880	T-10064
	Barangay La Granja and Nagasi, La Carlota City, Negros Occidental	1,295,416	T-10521
	Barangay La Granja and Nagasi, La Carlota City, Negros Occidental	299,346	T-10063
	Barangay La Granja and Nagasi, La Carlota City, Negros Occidental	28,330	T-10062
NAVI	Barangay La Granja and Nagasi, La Carlota City, Negros Occidental	407	T-4060
	Barangay La Granja and Nagasi, La Carlota City, Negros Occidental	831	T-4061
	Barangay La Granja and Nagasi, La Carlota City, Negros Occidental	391,426	T-7755
	Barangay La Granja and Nagasi, La Carlota City, Negros Occidental	658,402	T-7756
	Barangay La Granja and Nagasi, La Carlota City, Negros Occidental	82	T-4062
	Barangay La Granja and Nagasi, La Carlota City, Negros Occidental	1,303	T-7834
SCBI	Barangay Rizal, San Carlos City, Negros Occidental	627	T-16865
		602	T-16866
		602	T-16867
		602	T-16868
		602	T-16869
		737	T-16870
		737	T-16871
		1,296	T-17691
		605	T-18288
		605	T-16872
		604	T-16873
		530	T-15234
		529	T-16587
		530	T-15236
		962	T-15169
		637	T-15164
		740	T-15171
		552	T-15240
		552	T-15241
		552	T-16589
		592	T-15180
		592	T-15182
		3,969	T-17700
		3,684	T-17701
		1,331	T-17702
		1,779	T-17703
CADP Farm Services, Inc.	Barangay Cubay, La Carlota City, Negros Occidental	50,000	T-12010
CADP CONSULTANCY SERVICES	La Carlota City, Negros Occidental	50,000	T-12011

The Company is the owner of a parcel of land located in Nasugbu, Batangas valued at Php 3,092,792,400.00. The land is also presently mortgaged to secure certain loan obligations.

The Company likewise invested in real estate properties in Bacolod, Negros Occidental with an aggregate value of Php24,004,000.00 and in Lumbangan, Nasugbu Batangas with a purchase price of Php3,500,000.00. The properties in Negros Occidental are vacant parcels of industrial lots with total area of 2,824 square meters and the property in Batangas currently serves as an industrial plant.

CADPI is the owner of sugar milling and refining facilities, machineries and furniture and fixtures, transportation equipment and tools located in Nasugbu, Batangas. As of 30 September 2015, these properties are valued, net of depreciation, at Php3,372,941,073.00. These properties are presently mortgaged with banking institutions to secure certain loan obligations.

CACI is the owner of sugar milling facilities including parcels of land located in Barangay Consuelo, La Carlota City and in the Municipalities of La Castellana and Pontevedra in Negros Occidental as well as improvements, machineries, furniture and fixtures, transportation equipment and tools. As of 30 September 2015, these properties are valued, net of depreciation, at Php3,669,013,323.00. These properties are presently mortgaged with banking institutions to secure certain loan obligations.

Roxol is the owner of a bioethanol plant and of parcels of land located in Brgys. La Granja, Esperanza and Cubay, La Carlota City, Negros Occidental, and of improvements, machineries, fixtures and transportation equipment. As of 30 September 2015, these properties are valued, net of depreciation, at Php1,569,599,989.00. These properties are presently mortgaged to banking institutions to secure certain loan obligations.

SCBI is the owner of a bioethanol plant as well as parcels of land and machineries, fixtures and transportation equipment located in Brgys. Punao and Palampas, San Carlos City, Negros Occidental. As of 30 September 2015, these properties are valued, net of depreciation at Php 2,453,922,368.00.

In January 2016, SCBI entered into a Contract to Sell with Negros Fisheries Corporation for the acquisition by SCBI of a 20-hectare portion of a 65-hectare property located in Brgy. Palampas,San Carlos City, Negros Occidental. The total consideration for the purchase of the said property is Php200 million. Final payment shall be made by SCBI once a separate title over the property has been secured by Negros Fisheries. SCBI has been leasing 45 hectares of the 65-hectare property for its disposal and storage of wastewater from its factory since 2014. In 2016, the Company agreed to purchase the said 20-hectare portion of the leased property.

NAVI is the owner of a parcel of land in Brgy. Nagasi, La Carlota City, Negros Occidental, including various buildings, improvements, machinery and other equipment. As of 30 September 2015, the properties are valued, net of depreciation, at Php196,700,000.00.

Legal Proceedings

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

In March 2012, CADPI received BIR's final decision on a Disputed Assessment in the aggregate amount of Php345,249,425.93, inclusive of interest and penalties, representing alleged deficiency income tax, value-added tax, withholding tax on compensation, expanded withholding tax and documentary stamp tax for fiscal year 2007.

On 11 April 2012, CADPI filed a Petition for Review with the Court of Tax Appeals (CTA), which partially granted the petition, ordering CADPI to pay the deficiency DST assessment in the reduced amount of Php281,250.00, inclusive of the 25% surcharge, plus deficiency and delinquency interest.

On 18 December 2015, BIR filed a Motion for Reconsideration which was denied by the CTA in its resolution dated 2 February 2016.

BACKGROUND ON SAN CARLOS BIOENERGY, INC.

Business

San Carlos Bioenergy, Inc. (SCBI) was incorporated and registered with the Philippine Securities and Exchange Commission on May 26, 2005. SCBI operates an integrated sugar mill and bioethanol distillery complex, located at San Carlos Ecozone, Barangay Palampas and Punao, San Carlos City, Negros Occidental. SCBI started commercial operations for production of bioethanol fuel and electricity on March 1, 2009 and October 2011 for production of sugar syrup.

Aside from the production of bioethanol, SCBI also operates a power co-generation facility in San Carlos City, Negros Occidental that provides power to the grid. It has a rated capacity of eight (8) MW.

In terms of revenue contribution, SCBI accounted for 17% for the 1st quarter ended December 31, 2015 and 8% for the year ended September 30, 2015 of the Company's total revenues.

As of December 31, 2015, SCBI is 93.68% owned by Roxas Pacific Bioenergy Corporation and 6.32% owned by National Development Company.

The following are SCBI's Board of Directors and Key Management Officers:

Board of Directors

Pedro E. Roxas	Chairman
Hubert D. Tubio	Vice-Chairman
Luis O. Villa-Abrille	Director
Celso T. Dimarucut	Director
Arcadio S. Lozada	Director
Jesselyn P. Panis	Director
Ma. Lourdes F. Rebueno	Director
Saturnino H. Mejia	Director

Key Management Officers

Luis O. Villa-Abrille	President and Chief Operating Officer
Jesselyn P. Panis	Executive Vice President - Operations
George T. Cheung	Senior Vice President - Commercial Operations
Jose Rojo G. Alisla	Vice President - Agro-Industrial Research & Development
Frederick E. Reyes	Vice President - HR, Administration and CSR
Paul Edwin V. Lazaro	Asst. Vice President - Internal Audit
Kathrina L. Sebastian	Asst. Vice President - Treasury / Chief Risk Officer
Florencio M. Mamauag	Corporate Secretary
Melissa Ann M. Bautista	Asst. Corporate Secretary

Distribution Method

SCBI sells bioethanol fuel to the domestic market directly to oil companies such as Seaoil Philippines, Inc., Flying V, Shell, Petron, Chevron, Unioil, TWA, and Phoenix. All of the major oil companies purchase their ethanol requirements from the Company.

Competition

SCBI supplies bioethanol fuel to oil companies. SCBI, together with Roxol, are two (2) of the few bioethanol fuel producers, among which are Green Futures Innovations, Inc., Leyte Agri Corp., and Cavite Biofuels Producers Inc. Several other companies are expected to start up their bioethanol business within next year.

Suppliers

SCBI sources its sugarcane and molasses requirements from the planters in San Carlos City, Negros Occidental. Its principal suppliers of other materials and services are: Petron Corporation, Almark Chemicals Corporation, Nalco Philippines, Negros Marketing, Liberty First Enterprises, JC Liberty Development Corp., Chemtrust Unlimited Sales & Services, Inc., Fugelman Services Provider, Inc., Able Services, Inc., Buenavista Lime Plant, Inc., Bohol Lirio, TX Builders, 777 G & P Industrial Services, Vapor Industrial Services, Winston Roxas Construction, United Bearing Industrial Corp., Sealand Industrial Supplies, Integrated Scientific & Industrial Supply, RM Carrier Corporation, and Central Gas Corporation.

Material Contracts

Biomass Renewable Energy Operating Contract ("BREOC")

On February 1, 2010, SCBI entered into a Biomass Renewable Energy Operating Contract with the Philippine Department of Energy in order to develop, construct, install, commission and operate a renewable energy generating facility. The contract governs the operation of SCBI's biomass renewable energy system in San Carlos City, Negros Occidental that generates electrical power from biomass technology system using biomass residues.

Memorandum of Agreement on the Creation of the Multi-Partite Monitoring Team, Environmental Fund and the Environmental Guarantee Fund

On February 26, 2007, SCBI entered into a Memorandum of Agreement with the Philippine Department of Environment and Natural Resources (DENR). Pursuant to the Environmental Compliance Certificate issued by the DENR to the bioenergy project, a Multi-partite Monitoring Team needs to be formed, and an Environmental Guarantee Fund and Environmental Monitoring Fund are required to be established, which have all been complied with.

Properties

Below is a list of the properties owned by SCBI:

COMPANY	LOCATION	AREA IN SQM	TCT No.
LAND AT APPRAISED VALUES			
SCBI	Barangay Palampas & Punao, San Carlos City, Negros Occidental	257,845	T-20064
INVESTMENT PROPERTIES			
SCBI	Barangay Rizal, San Carlos City, Negros Occidental	627	T-16865
		602	T-16866
		602	T-16867
		602	T-16868
		602	T-16869
		737	T-16870
		737	T-16871
		1,296	T-17691
		605	T-18288
		605	T-16872
		604	T-16873
		530	T-15234
		529	T-16587
		530	T-15236
		962	T-15169
		637	T-15164
		740	T-15171
		552	T-15240
		552	T-15241
		552	T-16589
		592	T-15180
		592	T-15182
		3,969	T-17700
		3,684	T-17701
		1,331	T-17702
		1,779	T-17703

SCBI is the owner of a bioethanol plant as well as parcels of land and machineries, fixtures and transportation equipment located in Brgys. Punao and Palampas, San Carlos City, Negros Occidental. As of 30 September 2015, these properties are valued, net of depreciation at Php 2,453,922,368.00.

In January 2016, SCBI entered into a Contract to Sell with Negros Fisheries Corporation for the acquisition by SCBI of a 20-hectare portion of a 65-hectare property located in Brgy. Palampas,San Carlos City, Negros Occidental. The total consideration for the purchase of the said property is Php200 million. Final payment shall be made by SCBI once a separate title over the property has been secured by Negros Fisheries. SCBI has been leasing 45 hectares of the 65-hectare property for its disposal and storage of wastewater from its factory since 2014. In 2016, the Company agreed to purchase the said 20-hectare portion of the leased property.

Legal Proceedings

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

Compliance

The Company acquired SCBI in May 2015. The status of compliance of SCBI with the reportorial requirements of the DOE has not been disclosed to the Company in the course of its due diligence review of SCBI.

Following are the requirements under the Biomass Renewable Energy Operating Contract ("BREOC") and Renewable Energy Safety, Health and Environment Rules and Regulations ("RESHERR") as promulgated by the DOE that are required to be complied with by SCBI and the status of its compliance therewith.

<u>BREOC</u>

Section	Particulars	Status of Compliance
IV	**Work Program and Expenditures**	
	Not later than two (2) months prior to the end of the first five years contract term, the RE Developer shall submits its Five (5) year work program and corresponding budget and every five (5) years thereafter. During the implementation of the Work Program, the RE Developer shall notify the Department of material operational changes, if any, at least two (2) months prior to intended deviation, that reduced or may reduce the projected output of the Biomass RE system for a given year.	RHI Management is in the process of gathering the documents related to SCBI's compliance with the foregoing requirements under the BREOC, and shall endeavor to cause SCBI to comply with any remaining outstanding requirements within a period of five (5) months.
V iii	Furnish the Department promptly with the necessary information, data and reports relative to the technical characteristics of the Biomass RE System except for proprietary techniques used in developing said information, data and reports.	RHI Management is in the process of gathering the documents related to SCBI's compliance with the foregoing requirements under the BREOC, and shall endeavor to cause SCBI to comply with any remaining outstanding requirements within a period of five (5) months.
v	Submit a five (5) year Work Plan upon Declaration of Commerciality and every five (5) years thereafter provided that the RE Developer may revise the same at any time within the relevant period, subject to the approval of the Department.	RHI Management is in the process of gathering the documents related to SCBI's compliance with the foregoing requirements under the BREOC, and shall endeavor to cause SCBI to comply with any remaining outstanding requirements within a period of five (5) months.

RESHERR

Section	Particulars	Status of Compliance	Documentary Proof
9	Policy Statement	Complied	Occupational Health and Safety (OHS) Manual issued on Oct. 1, 2009.
10	Safety, Health and Environment Organization	Complied	Established since 2008
11	Personnel – appointment of full time Safety Officer	Complied	Safety Officer on board
12	SHES Committee	Complied	SHES Committee (originally established in October 2007)
13	Qualifications of Safety Officer (SO), Issuance of SO's permit	Complied	Safety Officer's permit issued by DOE valid until Nov. 8, 2016
14	Notification and Reporting (required for all Lost Time Accidents with major damage/loss)	Not applicable at this time	No LTA with major damage/loss.
15	Record-keeping	Complied	Log and summary of reportable incidents available for presentation upon inspection.
18	Safety and Health Training	Complied	
19	PPE	Complied	Basic PPEs issued to employees assigned in PPE-zone.
20	Workplace Monitoring and Control	Complied	Periodic monitoring of air and water quality conducted. Results with EMD.
21	Electrical and Mechanical Works - compliance to Philippine Electrical Code and the Philippine Society of Mechanical Engineering Code	Complied	DOLE Mechanical Permit for crop year 2015-2016 is in place. DOLE electrical inspection for the current crop year was completed in March 2016. Issuance of DOLE Electrical Permit will follow.
22	Guarding of Machinery	Complied	Machine guards are in place for moving parts of machinery and dangerous parts of equipment. Additional machine guards are being fabricated for new equipment.
23	Work Permit Systems	Complied	Work permit system in place, as provided for in our OHS Manual.
24	Use of Commercial Explosives	Complied	With PDEA valid permit; with temporary PNP permit
26	Fire Protection and Control	Complied	Fire suppression devices, equipment or systems in place; with fire safety structures (FRB) and fire protection/warning systems.
27	Serious and Imminent Danger		
	a. creation of Disaster Emergency Preparedness / Contingency Plan and Response Team	Complied	With Building Emergency and Evacuation Procedures (BEEP), and organized/trained Emergency Response Teams (fire brigade and first aid)
	b. conduct of emergency drills at least twice a year	Complied	Thru Disaster Management Exercises (DMEs) and annual fire exit drills. Last month, the BFP conducted basic fire-fighting training for our Fire Brigade, and we conducted a fire exit drill.
28	Hazard Communication	Complied	Hazardous substances and chemicals are properly stored and labelled (in QA and MCD), with standard instructional / warning sign and color code.
29	Engineering Change Measurement	Complied	Hazard screening and review system is in place for all new installations, plant, equipment and changes in facility to ensure conformance with required standards.
30	Environmental Compliance	Complied	
31	Health Program	Complied	Pre-employment medical records on file including results of annual physical exam, drug test, and clinic records. Health advisories are issued monthly.
32	Health Services	Complied	Availability of clinic services 24/7, with ambulance. Employees are covered by group medical insurance.

INDUSTRY OVERVIEW

The information and data contained in this section has been taken from sources in the public domain, including the SRA. The Company does not have any knowledge that the information herein is inaccurate in any material respect. Neither the Company, the Underwriter, nor any of their respective affiliates or advisors have independently verified the information included in this section.

Plantation Areas

Based on a report by the Sugar Regulatory Administration (SRA), total sugarcane area in crop year 2013-2014 was 423,333 hectares planted in around 20 provinces within the 10 regions of the country. However, in crop year 2014-2015, the plantation area for sugar production declined to 416,893 hectares.

Sugarcane growing areas cover 29 Mill Districts (MDs) – 7 MDs in Luzon (includes Isabela Mill District, a newly created mill district dedicated to bioethanol fuel production), 3 MDs in Mindanao, 4 MDs in Panay, 2 MDs in Eastern / Central Visayas, 2 MDs in Negros Oriental and 11 MDs in Negros Occidental. SRA created the Mill District Development Committees (MDDCs) in the mill districts to oversee and implement programs and projects for the development of the sugarcane industry. It is composed of representatives from the mills, planters associations, PHILSURIN and SRA as Secretariat. The MDDCs were transformed into SEC-registered foundations or Mill District Development Council Foundation, Inc. (MDDCFIs) in order to avail of the Sugar Agricultural Competitiveness Enhancement Fund in 2001.

Based on a report by the SRA, generally, within the five-crop-year period, sugarcane areas harvested were up from 385,662 hectares in crop year 2009-2010 to 413,264 hectares in CY 2015-2016. Negros island shares 55% of the sugarcane production areas, followed by Mindanao with 21% share, Luzon with 14% share, Panay with 7% share and Eastern/Central Visayas with a share of 3%.

In terms of farm productivity within the five cropping seasons, from CY 2011-12 to CY 2015-16, crop year 2012-2013 exhibited the best yield of 59.78 TC/ha while the estimated yield in crop year 2015-16 of 55.07 TC/ha is the lowest so far based on a report by the SRA. The changing climatic condition is the main reason for farm yield variability wherein in CY 2015-16, the plantations nationwide suffered an extended el niño, which stressed the growth of sugarcane, being an annual crop.

Sugarcane Processing

The sugarcane industry in the Philippines has grown into a multi-product industry with sugar, bioethanol and power as its major products. Muscovado, although the production areas ranged from 2,000-3,000 hectares only, is a competitive product considering that its price in the domestic and international market is higher than raw and refined sugar. Molasses is a by-product from sugar manufacture, which became a major raw material in bioethanol production.

A. Sugar Factories

In crop year 2015-2016, there are 27 operational sugar mills and 14 sugar refineries. Out of the 27 sugar mills, one is registered with SRA to be producing muscovado sugar. The rest of the muscovado-producing facilities are not registered with SRA.

Based on a report by the SRA, in terms of sugar production, it was in CY 2012-13 that the industry produced a record-high of 2.465 million metric tons of raw sugar (reckoned from data starting crop year 1977-1978) and a low of 1.33 million metric tons in crop year 1986-1987.

B. Bioethanol Facilities

The Biofuels Act of 2006 opened up the gates to new investments in the sugarcane industry, through the bioethanol fuel production facilities. In 2007, voluntary 5% bioethanol blend in gasoline was implemented to jumpstart with the mandate and the bioethanol used were all imported. San Carlos Bioenergy Inc. (SCBI) pioneered in the bioethanol fuel business which started operation in 2009 with an initial capacity of 30 million liters annually. The target sugarcane production areas dedicated to supply the feedstock needs of SCBI is around 5,000 hectares. Although Leyte Agri Corporation operated in 2008, the facility is an old one producing potable and industrial alcohol. Its production capacity is only 9 million liters annually. Roxol Bioenergy Corporation and Green Future Innovations, Inc. (GFII) followed in putting up new investments in the bioethanol industry with annual production capacities of 30 million liters and 54 million liters, respectively. GFII is the second sugarcane-based bioethanol investment in the country which utilizes around 5,000-8,000 hectares of sugarcane plantations in Isabela and nearby provinces to supply its feedstock needs. GFII invested around Php11 billion for its production facilities and plantation development.

A major setback of the bioethanol investments occurred in 2010 when the prices of sugar went up and the implementing guidelines of the bioethanol mandate were not yet in place. SCBI halted its operations and Roxol deferred its operations, while GFII was still in its construction phase.

Investments in the bioethanol sector were revitalized in late 2011 upon the issuance by the Department of Energy of the implementing guidelines on the optimization of locally-produced bioethanol fuel and the 10% bioethanol mandate. Oil companies are given local monthly allocations out of the volume commitments of local producers and a bioethanol reference price was put in place to serve as benchmark during price negotiations between the petroleum companies and the bioethanol producers.

Based on a report by the SRA, in 2016, ten (10) bioethanol fuel plants operate with a total production capacity of 282 million liters annually. In 2014, around 115 million liters of bioethanol fuel was produced by eight bioethanol distilleries which represents approximately 30% of the mandated requirement. About 70% of the mandated requirement is still sourced from imported materials while in 2015, total production increased to 168 million liters, which indicates a local supply of around 42% of the mandated requirement.

C. Biomass Power Plants

Power generation from bagasse became the latest major value-added product from sugarcane when the renewable energy law of 2008 was passed. The law provides incentives to bioenergy developers and farmers as well in terms of duty-free and VAT-free importations, income tax holiday for developers and a feed-in-tariff of Php6.63 per kw-hr for biomass power. Power cogeneration is not new to the sugar industry since all mills and refineries have been using bagasse to generate its own power, but conventional boilers and turbines are not designed to produce excess power to be sold to the grid.

The biggest producer of biomass power so far is SONEDCO sugar mill with a capacity of 46 MW. First Farmers Holdings Corporation was the first one to sell power to the grid and other mills who are selling to the grid are Central Azucarera de San Antonio in Iloilo, and Crystal Sugar in Bukidnon. The two distilleries, SCBI and GFII are also selling power to the grid. The biomass power sector with a target of 250 MW was behind in attaining its target and the targets under the current renewable energy program is being considered for revision.

Competitors

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

Roxol and SCBI supply bioethanol fuel to oil companies. Roxol and SCBI are two (2) of the few bioethanol fuel producers, among which are Green Futures Innovations, Inc., Leyte Agri Corp., and Cavite Biofuels Producers Inc. Several other companies are expected to start up their bioethanol business within next year.

MATERIAL CONTRACTS AND AGREEMENTS

All contracts entered into by the Company for the past two (2) years were made in the ordinary course of business of the Company.

REGULATORY AND ENVIRONMENTAL MATTERS

Sugar Industry Development Act

Republic Act No. 10659, otherwise known as the Sugar Industry Development Act of 2015 ("SIDA") was enacted to law on 27 March 2015. The SIDA was passed to promote the competitiveness of the sugarcane industry by providing for the establishment of various government-led programs which aim to maximize the utilization of sugarcane resources, and increase the incomes of farmers through improved productivity, product diversification, job generation, and increased efficiency of sugar mills. On 4 August 2015, the Implementing Rules and Regulation of the SIDA (the "SIDA IRR") were approved.

The Productivity Improvement Programs under the SIDA include the Block Farm Program wherein small farms can consolidate to be able to take advantage of the economies of scale in the production of sugarcane. Those who will not qualify for the Block Farm Program, can avail of the Farm Support Program which will include the provision of socialized credit, farm management and technical assistance, and professional services. On the other hand, the Farm Mechanization Program focuses on encouraging and training farmers to utilize appropriate agricultural machineries and equipment necessary for the efficient planting, cultivation, care and maintenance, harvesting and handling of sugarcane. Finally, to facilitate the transport of sugarcane to mills and distilleries and enhance the marketing and export of sugar and other products derived from sugarcane, farm-to-mill roads and irrigation facilities shall be provided.

The Sugar Regulation Administration ("SRA") under the Department of Agriculture is the main agency overseeing the sugar industry. With the enactment of the SIDA, the regulatory functions of the SRA as provided for in Executive Order No. 18 s. 1986 were significantly increased.

First, the SRA established a supply chain monitoring system from sugarcane to sugar at the retail level to ensure sufficiency and safety of sugar. In line with this objective, certain individuals and entities are now required to register with the SRA. Second, the SRA was tasked to classify imported sugar according to its appropriate classification when imported at a time that domestic production is sufficient to meet domestic sugar requirements. Third, it now provides for extension services such as technical assistance and advice, conduct of tests, propagation, and dissemination of high yielding varieties, and operation of demonstration farms. Lastly, in coordination with the DOST, it intensified research and development in this area.

Laws Related to Sugar Trade

In August 1987, the SRA issued Sugar Order No.1 which served as the basis for the annual sugar allocation for sugar produced in the Philippines. The said order allocated the country's total domestic sugar into the following categories: "A" for export to the US, "B" for domestic sugar, "C" for reserve sugar, and "D" for export to other foreign markets. These allocations are determined by the SRA Board at the beginning of every crop year. These same allocations affect the total amount of raw sugar available for domestic refineries. The SRA releases Sugar Orders all throughout every year after its creation. As part of the US sugar import quota system, the Philippines is also given annual sugar export allocations which vary for every crop year.

On 17 June 1997, Executive Order No. 420 was issued which modified the rates of duty on sugar as provided under the Tariff and Customs Code of 1978, as amended, in order to implement the ASEAN preferential rates of duty on cane sugar and beet sugar, among others.

Under the Order, the tariff on these products was placed at 65% from 1997 up to 1998; after which, sugar could be placed under the sensitive list allowing the gradual phase-down of tariffs. Additionally, it provided that the margins of preference (MOP) accorded under the ASEAN Preferential Trading Arrangements (PTA) will no longer be extended to any of the products covered under the same Order.

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

On 3 March 2004, Executive Order No. 295 was issued, which provided that sugar which are entered and withdrawn from warehouses in the Philippines for consumption shall be levied the MFN (Most Favored Nation) rates of duty therein prescribed. Moreover, the Order provides that sugar which are entered and withdrawn from warehouses in the Philippines for consumption shall be imposed the ASEAN CEPT rates of duty therein prescribed subject to qualification under the Rules of Origin as provided for in the Agreement on the CEPT Scheme for the ASEAN Free Trade Area.

Biofuels Act of 2006

Republic Act No. 9367, also known as "The Biofuels Act of 2006", aims to reduce the dependence of the transport sector on imported fuel with due regard to the protection of public health, the environment and natural ecosystems consistent with the country's sustainable economic growth that would expand opportunities for livelihood by mandating the use of biofuels as a measure to develop and utilize indigenous and sustainably-sourced clean energy sources, and to mitigate toxic and greenhouse gas (GHG) emissions, increase rural employment and income and ensure the availability of alternative fuels.

The law provides that all liquid fuels for motors and engines sold in the Philippines shall contain locally sourced biofuels components. It further provides that within two (2) years from the effectivity of the law, at least 5% bioethanol shall comprise the annual total volume of gasoline fuel actually sold and distributed by each and every oil company in the country, subject to the requirement that all bioethanol blended gasoline shall contain a minimum of 5% bioethanol fuel by volume. Further, the law mandated that all gasoline fuel sold by every oil company in the Philippines should contain a minimum 10% blend of bioethanol starting August 6, 2011.

Department Circular No. DC 2007-05-006 was issued by the DOE on 17 May 2007 to implement the Biofuels Act of 2006. It covers the production, blending, storage, handling, transportation, distribution, use, and sale of biofuels, biofuel-blends and biofuel feedstock in the Philippines.

In 2008, a Joint Administrative Order known as the "Guidelines Governing the Biofuel Feedstock Production and Biofuels and Biofuel Blends Production, Distribution and Sale" (the "Guidelines") was issued by various Philippine government agencies. The Guidelines were issued to govern the biofuel feedstock production and biofuels and biofuel blends production, distribution and sale of biofuels. The objectives of the Guidelines are to develop and utilize indigenous renewable and sustainably-sourced clean green energy sources to reduce dependence on imported oil, to mitigate toxic and GHG emissions, to increase rural employment and income, to promote the development of the biofuel industry in the country and to encourage private sector participation and to institute mechanisms which will fast track investments in the biofuel industry and to promote biofuel workers' welfare and protection, among others.

Foreign Investment Act of 1991

The Foreign Investment Act of 1991 ("FIA") liberalized the entry of foreign investment into the Philippines. Under the FIA, foreigners can own as much as 100% equity of domestic market enterprises, except in areas specified in the Foreign Investment Negative List. This Negative List enumerates industries and activities which have foreign ownership limitations under the FIA and other existing laws. The oil refining and distribution business is not found in the latest 9th Negative List of the FIA.

In connection with the ownership of private land, however, the Philippine Constitution states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens.

For the purpose of complying with nationality laws, the term "Philippine National" is defined under the FIA as any of the following:

(a) a citizen of the Philippines;

(b) a domestic partnership or association wholly-owned by citizens of the Philippines;

(c) a corporation organized under the laws of the Philippines of which at least 60% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines;

(d) a corporation organized abroad and registered to do business in the Philippines under the Philippine Corporation Code, of which 100% of the capital stock outstanding and entitled to vote is wholly owned by Filipinos; or

(e) a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine National and at least 60% of the fund will accrue to the benefit of Philippine Nationals.

For as long as the percentage of Filipino ownership of the capital stock of the corporation is at least 60% of the total shares outstanding and voting, the corporation shall be considered as a 100% Filipino-owned corporation. A corporation with more than 40% foreign equity may be allowed to lease private land for a period of 25 years, renewable for another 25 years.

Local Government Code

The Local Government Code ("LGC") establishes the system and powers of provincial, city, municipal, and *barangay* governments in the country. The LGC general welfare clause states that every local government unit ("LGU") shall exercise the powers expressly granted, those necessarily implied, as well as powers necessary, appropriate, or incidental for its efficient and effective governance, and those which are essential to the promotion of the general welfare.

LGUs exercise police power through their respective legislative bodies. Specifically, the LGU, through its legislative body, has the authority to enact such ordinances as it may deem necessary and proper for sanitation and safety, the furtherance of the prosperity, and the promotion of the morality, peace, good order, comfort, convenience, and general welfare of the locality and its inhabitants. Ordinances can reclassify land, order the closure of business establishments, and require permits and licenses from businesses operating within the territorial jurisdiction of the LGU.

Environmental Laws

Development projects that are classified by law as environmentally critical or projects within statutorily defined environmentally critical areas are required to obtain an Environmental Compliance Certificate (the "ECC") prior to commencement. The DENR, through its regional offices or through the Environmental Management Bureau (the "EMB"), determines whether a project is environmentally critical or located in an environmentally critical area and processes all applications for an ECC. As a requirement for the issuance of an ECC, an environmentally critical project must submit an Environment Impact Statement ("EIS") to the EMB while a non-environmentally critical project in an environmentally critical area is generally required to submit an Initial Environmental Examination (the "IEE") to the proper EMB regional office. In the case of an environmentally critical project within an environmentally critical area, an EIS is required.

The EIS refers to both the document and the study of a project's environmental impact, including a discussion of the scoping agreement identifying critical issues and concerns as validated by the EMB, environmental risk assessment if determined necessary by EMB during the scoping, environmental management program, direct and indirect consequences to human welfare and the ecological as well as environmental integrity. The IEE refers to the document and the study describing the environmental impact, including mitigation and enhancement measures, for projects in environmentally critical areas.

While the terms and conditions of an EIS or an IEE may vary from project to project, as a minimum it contains all relevant information regarding the project's environmental effects. The entire process of organization, administration and assessment of the effects of any project on the quality of the physical, biological and socio-economic environment as well as the design of appropriate preventive, mitigating and enhancement measures is known as the EIS System. The EIS System successfully culminates in the issuance of an ECC. The issuance of an ECC is a Philippine government certification that the proposed project or undertaking will not cause a significant negative environmental impact; that the proponent has complied with all the requirements of the EIS System; and that the proponent is committed to implementing its approved Environmental Management Plan in the EIS or, if an IEE was required, that it shall comply with the mitigation measures provided therein before or during the operations of the project and in some cases, during the project's abandonment phase.

Project proponents that prepare an EIS are required to establish an Environmental Guarantee Fund when the ECC is issued for projects determined by the DENR to pose a significant public risk to life, health, property and the environment or where the project requires rehabilitation or restoration. The Environmental Guarantee Fund is intended to meet any damage caused by such a project as well as any rehabilitation and restoration measures. Project proponents that prepare an EIS are required to include a commitment to establish an Environmental Monitoring Fund when an ECC is eventually issued. In any case, the establishment of an Environmental Monitoring Fund must not occur later than the initial construction phase of the project. The Environmental Monitoring Fund must be used to support the activities of a multi-partite monitoring team, which will be organized to monitor compliance with the ECC and applicable laws, rules and regulations.

Philippine Clean Water Act of 2004

In 2004, Republic Act No. 9275, or the "Philippine Clean Water Act", was enacted to streamline processes and procedures in the prevention, control, and abatement of pollution in the country's water resources and provide for a comprehensive water pollution management program focused on pollution prevention. The law primarily applies to the abatement and control of water pollution from land based sources. The EMB, in partnership with other Philippine government agencies and the respective local government units, is tasked by the Implementing Rules of the Philippine Clean Water Act to identify existing sources of water pollutants and strictly monitor pollution sources which are not in compliance with the effluent standards provided in the law.

Compliance with Environmental Laws

For the past fiscal year, the Company and its subsidiaries, as a group, spent approximately Php100 million for its environmental and pollution control programs.

CADPI's environmental and pollution control initiatives during the fiscal year included substantial investments in pollution control facilities (i.e, waste water treatment plant, air pollution control devices for the boilers smoke stack), proper handling and disposal of hazardous waste such as used oil, busted fluorescent lamp, and substance lead sub-acetate, and pathological waste through accredited treaters/transporters, solid waste minimization, utilization of mud press as soil conditioner for sugar cane fields and as produced organic fertilizer, and other cleaner production technologies and programs. CADPI's waste minimization program is continuously observed and closely monitored through Risk Control Action Plan (RCAP). For the fiscal year ended 30 September 2015, CADPI spent about Php25.8 million in its pollution management program.

CACI's safety and health, environmental and pollution control initiatives during the fiscal year included its environmental management program such as tree planting, medical mission, and conduct of occupational safety and health trainings. For the fiscal year ended 30 September 2015, CACI spent Php 32.39 million for the operational expenses in the operation, maintenance and improvement of its pollution control program.

Roxol has actively pursued and implemented its environment safety and health program, fire prevention plan, environmental management plan and use of a wastewater treatment and methane gas recovery facility for pollution mitigation. Roxol implemented a zero-discharge system through the wastewater methane capture component of its ethanol plant which is covered by Environmental Compliance Certificate No. ECC-R6-0809-254-9999 issued by the DENR. For the fiscal year ended 30 September 2015, Roxol spent about Php26.03 million for the maintenance and improvement of its pollution control program.

SCBI has also pursued and implemented its environmental management plan, including the use of a wastewater treatment and methane gas recovery facility for pollution mitigation. For the fiscal year ended 30 September 2015, SCBI spent about Php13.9 million for the maintenance and improvement of its pollution control program.

Other Regulatory Requirements

Governmental approval of the Company's products and services are generally not required, although the same are subject to certain government standards and specifications, as discussed above.

A table summarizing our key permits and licenses necessary for the conduct of our business as of March 31, 2016 is provided below:

1. Business Permit

Company	Issuing Agency	Date of Issuance	Valid Until	Status
RHI	City of Makati	2/9/2016	12/31/2016	Valid and current
CADPI	City of Nasugbu	1/27/2016	12/29/2016	Valid and current
CACI	City of La Carlota	7/15/2015	7/15/2016	Valid and current
RBC	City of La Carlota	5/26/2015	5/26/2016	Valid and current

2. Environmental Compliance Certificate

Company	Issuing Agency	Date of Issuance	Valid Until	Status
CADPI	Department of Environment and Natural Resources	9/12/2008	N/A	Valid and current
CACI	Department of Environment and Natural Resources	6/30/2009	N/A	Valid and current
RBC	Department of Environment and Natural Resources	1/9/2009	N/A	Valid and current
SCBI	Department of Environment and Natural Resources	4/28/2006	N/A	Valid and current

3. Certificate of Registration

Company	Registration	Issuing Agency	Date of Issuance	Valid Until
CACI	Sugar Trader (International)	Sugar Regulatory Administration	8/27/2015	N/A
CACI	Sugar Trader (Domestic)	Sugar Regulatory Administration	8/27/2015	N/A
CACI	Molasses Trader	Sugar Regulatory Administration	8/25/2015	N/A
RBC	Sugar Trader	Sugar Regulatory Administration	1/2/2017	N/A
RBC	Molasses Trader	Sugar Regulatory Administration	12/23/2015	N/A
RBC	Bioethanol Producer	Sugar Regulatory Administration	12/23/2015	N/A
SCBI	Bioethanol Producer	Philippine Economic Zone Authority	9/23/2009	N/A

4. Certification of Accreditation

Company	Registration	Issuing Agency	Date of Issuance	Valid Until
RBC	Bioethanol Producer	Department of Energy	12/29/2015	N/A
SCBI	Bioethanol Producer	Department of Energy	6/11/2015	N/A

5. Permit to Operate Air Pollution Source and Control Installations

Company	Issuing Agency	Date of Issuance	Valid Until
CADPI	Department of Environment and Natural Resources	3/1/2016	2/16/2017
RBC	Department of Environment and Natural Resources	11/13/2015	11/13/2016
SCBI	Department of Environment and Natural Resources	11/17/2015	7/15/2016

6. Permit to Operate Steam Boiler/Turbine

Company	Issuing Agency	Date of Issuance	Valid Until
CADPI	Department of Labor and Employment	11/13/2015	11/13/2016
CACI	Department of Labor and Employment	8/14/2015	8/14/2016
RBC	Department of Labor and Employment	2/15/2016	2/15/2017
SCBI	Department of Labor and Employment	10/2/2015	10/2/2016

7. Others

Document Name	Company Name	Issuing Agency	Date of Issuance	Valid Until
Certificate of Compliance	SCBI	Energy Regulatory Commission	4/10/2014	4/10/2019
Renewable Energy Contract Between San Carlos Bioenergy Incorporated and Government of the Republic of the Philippines through the DOE			3/25/2010	3/25/2035

MANAGEMENT AND CERTAIN SHAREHOLDERS

Shareholders

There were about 2,343 holders of the Company's common shares as of 29 February 2016. The top twenty (20) holders of the common shares as of said date were:

Stockholder	Nationality	Total No. of Shares	%
PCD Nominee Corporation*	Filipino	446,352,796	38.76
Roxas and Company, Inc.**	Filipino	318,341,705	27.22
First Pacific Natural Resources Holdings BV	Netherlands	309,197,760	26.44
Rizal Commercial Banking Corporation	Filipino	34,476,000	2.95
PCD Nominee Corporation	Non-Filipino	15,364,854	1.31
Pan Malayan Mgmt. & Investment Corp.	Filipino	3,817,932	0.33
Insular Life Assurance Co., Ltd.	Filipino	1,198,520	0.10
Jose A. Manzano Jr.	Filipino	1,029,007	0.09
Gilbert Liu	Filipino	1,014,000	0.09
East West Banking Corporation	Filipino	914,290	0.08
Emilio Pantoja	Filipino	785,078	0.07
Armando M. Medina	Filipino	770,640	0.07
Leonardo T. Siguion Reyna	Filipino	608,400	0.05
Raul S. Roco	Filipino	486,720	0.04
O. Ledesma & Co., Inc.	Filipino	446,160	0.04
BMI Holdings Corporation	Filipino	431,964	0.04
Antonio G. Nieto	Filipino	367,450	0.03
Corona Realty & Development Corporation	Filipino	365,040	0.03
Lorna Perez Laurel	Filipino	354,900	0.03
Abel Z. Silva III	Filipino	354,900	0.03
Elaine VIllar Rivilla	Filipino	346,788	0.03
Subtotal		**1,136,918,544**	**99.98**
Other Shareholders		**14,846,343**	**1.27**
Grand Total		**1,151,764,887**	**100.00**

** includes the: (i) 276,780,709 shares beneficially owned by First Agri Holdings Corporation representing 24.04% of the total issued and outstanding capital stock of the Company; and (ii) [38,137,205] shares beneficially owned by Roxas & Company, Inc. representing 3.3% of the total issued and outstanding capital stock of the Company.*
*** excluding the [38,137,205] shares held through PCD Nominee Corporation.*

Board of Directors & Corporate Secretary

Pedro E. Roxas is 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 CADPI, CACI, Roxol, SCBI, and RHI Agri-Business Development Corporation (RHI-ADC). Mr. Roxas is likewise the Executive Chairman and the President & CEO of Roxas & Co., Inc., Chairman of Hawaiian-Philippine Company, 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) and the Manila Electric Company (Meralco), and Banco de Oro (BDO) Private Bank, Director of Brightnote Assets Corporation and a Trustee of Philippine Business for Social Progress. Mr. Roxas was educated at Portsmouth Abbey School, Rhode Island, USA, and at the University of Notre Dame in Indiana, USA where he obtained his degree in Business Administration.

Manuel V. Pangilinan is 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 Managing Director until 1999. He was appointed Executive Chairman until June 2003 when he was named as CEO and Managing Director. Within the First Pacific Group, he holds the position 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, Inc. (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 the Philippine Business for Social Progress. He also serves as Chairman of the Hong Kong Bayanihan Trust, a non-stock, non-profit foundation which provides vocational, social and cultural activities for Hong Kong's foreign domestic helpers. On February 5, 2007, Mr. Pangilinan was named the President of the Samahang Basketbol ng Pilipinas (SBP), a national sport association for basketball. In January 2009, Mr. Pangilinan also assumed the Chairmanship of the Amateur Boxing Association of the Philippines (ABAP), a governing body of the amateur boxers in the country. Also, in October 2009, Mr. Pangilinan was appointed as Chairman of the Philippine Disaster Recovery Foundation (PDRF), a non-stock non-profit foundation established to formulate and implement a reconstruction strategy to rehabilitate and rebuild areas devastated by recent floods and other calamities. Mr. Pangilinan is Chairman of the Philippine Business for Social Progress (PBSP), a social action organization made up of the country's largest corporations, Vice-Chairman of the Foundation for Crime Prevention, a private sector group organized to assist the government with crime prevention, and a member of the Board of Trustees of Caritas Manila and Radio Veritas-Global Broadcasting Systems, Inc., a former Commissioner of the Pasig River Rehabilitation Commission and a former Governor of the Philippine Stock Exchange. In June 2012, he was appointed as Co-Chairman of the newly organized US-Philippines Business Society, a non-profit society which seeks to broaden the relationship between the United states and the Philippines in the areas of trade, investment, education, foreign and security policies and culture.

Mr. Pangilinan has received numerous prestigious awards including Ten Outstanding Young Men of the Philippines (TOYM) Award for International Finance (1983), The Presidential Pamana ng Pilipino Award by the Office of the President of the Philippines (1996), Best CEO in the Philippines by the Institutional Investor (2004), CEO of the Year (Philippines) by Biz News Asia (2004), People of the Year by People Asia Magazine (2004), Distinguished World Class

Businessman Award by the Association of Makati Industries, Inc. (2005), Management Man of the Year by the Management Association of the Philippines (2005), Order of Lakandula (Rank of Komandante) by the Office of the President of the Philippines (2006). He was voted as Corporate Executive Officer of the Year (Philippines) and Best Executive (Philippines) at the 2007 and 2008 Best-Managed Companies and Corporate Governance Polls conducted by Asia Money. Most recently, Mr. Pangilinan received the Best CEO award from Finance Asia Magazine (2012) and the Executive of the Year Award from the Philippine Sports Writers Association (PSA) (2014).

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

Santiago R. Elizalde is 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 Executive 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., Vice-Chairman and a member of the Executive Committee of ELRO Commercial and Industrial Corporation and of Club Punta Fuego, Inc. and a Director of CADPI, CACI, ELRO Land Corporation, Punta Fuego Village Homeowners Association, Punta Fuego Village Foundation, Terrazas de Punta Fuego Village Homeowners Association, and Fundacion Santiago. Mr. Elizalde obtained his Bachelor of Arts in Economics from Denison University in Ohio, USA.

Geronimo C. Estacio is 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 has been 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.

David L. Balangue is 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 Audit & Risk 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 the 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 Philippine Daily Inquirer. He is married to Arlene Tan Balangue.

Ray C. Espinosa is 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 Meralco and Head of Regulatory Affairs and Policy and Group Joint Executive Committee of PLDT. Prior to joining the PLDT Group in 2000, Atty. Espinosa was a law partner in 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.

Alex Erlito S. Fider is 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 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 is 58 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 Hongkong based investment management and holding company with operations in the Asia Pacific. He is also presently a director of PLDT. Mr. Young was also formerly the Chief Financial Advisor and Finance Group Head of PLDT, Finance Director of the Metro Pacific Corporation, the Group Financial Controller of First Pacific Company Limited, Senior Audit Manager of Price Waterhouse in Hong Kong and an Audit Manager of Price Waterhouse in London. He has been a member of the Institute of Chartered Accountants in England and Wales since 1982.

Hubert D. Tubio is 61 years old and is a Filipino. He was elected as a member of the Board of Directors and as the President and Chief Executive Officer of the Company effective 1 January 2016, on 16 December 2015. Mr. Tubio has an extensive and varied career occupying senior leadership roles in sugar, telecommunications, airlines, trading, and international accounting/auditing industries. He was the Chairman of the Board of Directors of Bioeq Energy Holdings Corporation, a vertically integrated bioenergy company, and a member of the Board of Directors of Negros College, Inc. He also served as President and Chief Operating Officer of Victorias Milling Company, Inc. from 2009 to 2014. Mr. Tubio also worked for Globe Telecom, Jardine Davies, and Consultancy by Technicus Corporation, a subsidiary of Deutsche Telekom A.G. of Germany, and PAL Holdings, Inc. Mr. Tubio is a cum laude BSBA graduate of the University of the East, major in Accounting, and is also among the board top notchers.

Gemma M. Santos is 53 years old and is a Filipino. She has been the Corporate Secretary of the Company since 19 February 2014. She also serves as Corporate Secretary of various corporations, including publicly listed companies 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.

Board of Advisors

Vicente S. Perez is 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 the Chairman of Merritt Partners, an energy advisory firm. Mr. Perez served as Philippine Energy Minister 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. In 1997, he founded 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 which 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 a 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 is 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**.**

Executive Officers

Pedro E. Roxas (See above.)

Manuel V. Pangilinan (See above.)

Hubert D. Tubio (See above.)

Arcadio S. Lozada, Jr. is 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 CADPI on 1 January 2014. He was formerly the Vice-President for Manufacturing of Victorias Milling Company, Inc., a Technical Manager of Bronzeoak Philippines, Inc., and an Engineering Manager at the Central Azucarera de Tarlac, among others. Mr. Lozada is a licensed Mechanical Engineer and has completed a short course in raw sugar manufacturing at the Nicholls State University in Louisiana, USA.

Luis O. Villa-Abrille is 67 years old and was appointed as President & COO of CACI on 9 March 2015 and as President & COO of SCBI on 11 May 2015. Mr. Villa-Abrille was formerly the President & COO of Roxol, and the Executive Vice-President for Business Development of the Company. He was also formerly the Vice-President & Resident Manager of GreenFuture Innovations, Inc., the President & COO of SCBI. 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 is 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 1 December 2014 and as President & COO of Roxol and Executive Vice-President for Operations of CACI, on 9 March 2015. She was also appointed as Executive Vice-President for Operations of SCBI on 11 May 2015 and as Head of the Corporate Administration Group of the Company on 9 October 2015. Ms. Panis was previously 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 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.

Celso T. Dimarucut is 54 years old and is a Filipino. He was appointed as EVP-CFO and Group Head of Finance effective 1 December 2015. Mr. Dimarucut prior to joining the Company served as Senior Executive Vice President and Chief Finance Officer of Landco Pacific Corporation and its subsidiaries, Senior Vice President and Group Chief Finance Officer of Mediaquest Holdings, Inc. and its subsidiaries, Senior Vice President and Group Chief Finance Officer of ePLDT, Inc. and Subsidiaries, First Vice President and Group Controller of PLDT Group, First Vice-President and Group Financial Controller for domestic subsidiaries of Metropolitan Bank & Trust Company and Finance Head of Pilipino Telephone Corporation (Piltel). Mr Dimarucut has more than ten (10) years of professional audit and business advisory experience gained from SyCip, Gorres Velayo & Co. and Prasetio Utomo & Co. (Jakarta, Indonesia). He graduated Cum Laude at the Polytechnic University of the Philippines with a degree of BS Commerce Major in Accounting. He is a Certified Public Accountant.

George T. Cheung is 42 years old and is a Filipino. He was appointed as SVP for Marketing & Trading on 5 January 2015. He was formerly a Managing Partner in Commodity Partners Pte, Ltd., Head of Domestic Coal Trading of Trafigura Investment China, Ltd, based in Shanghai, Associate Director & General Manager-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 Hongkong of Cargill, among others. Mr. Cheung obtained his degree in Bachelor of Science in Food Sciences and Technology at the University of British Columbia in Vancouver, British Columbia, Canada, his Diploma in Business Administration at the International Correspondence Schools, and his Master in Business Administration (MBA) Global Executive program at the Duke University in Durham, North Carolina, USA.

Florencio M. Mamauag, Jr. is 55 years old and is a Filipino. He is the Assistant Corporate Secretary, VP for Legal, Compliance Officer and Corporate Information Officer (CIO). He is also the Corporate Secretary and VP-Legal of CADPI, CACI, Roxol, NAVI, SCBI, RHI-ADC, 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 1 September 1996. Atty. Mamauag 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 firm. He obtained his Bachelor of Laws degree also at the San Beda College Manila and 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 he joined the Company in 1996. 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 E. Reyes is 54 years old and is a Filipino. He was appointed as AVP & Deputy Head of Human Resources on 1 February 2014 and was promoted to VP & Deputy Head of Human Resources on 5 January 2015. 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, QC & Employee Relations. He joined Globe Telecom during its transition to become a 'wireless' telephone company in charge of Training and Development from 1990 thru 1997, 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 is 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 degree 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 is 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 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 is 38 years old and is a Filipino. He was appointed as AVP 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.

Kathrina Estrella L. Sebastian is 41 years old and is a Filipino. She was appointed as AVP-Head of Treasury and Chief Risk Officer and Chief Credit Officer on 16 December 2015. Ms. Sebastian was previously the Head of Development Organizations and the Relationship Manager/Associate Director of Financial Institutions of Standard Chartered Bank. She also worked for Citibank, N.A. and G & S Transport Corporation. Ms. Sebastian obtained her degree in Bachelor of Science in Management at the Ateneo De Manila University and her MBA in International Business at the Manchester Business School, UK.

Veronica S. Canela-Cortez is 37 years old and is a Filipino. She was appointed as AVP-Finance on 10 February 2016. Prior to joining the Company, Ms. Canela-Cortez previously worked at SyCip Gorres Velayo & Co. (a member practice of Ernst & Young LLP) as a Senior Director (2009-2015), Senior Associate for Resource Sharing Program in EY's Houston Texas Office (2005-2006) and as Director (2006-2009). She obtained her bachelor's degree in Accounting at San Sebastian College Recoletos de Cavite.

Significant Employees

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

The Company has a public interest disclosure or a whistle blowing policy whereby all employees have the right and moral responsibility to report improper actions and omissions. A workplace culture is developed in which employees who act in good faith and in compliance with the law are protected from interference in or retaliation for reporting improper actions and cooperating with subsequent investigations and proceedings. Public Interest Disclosure is required when employees, in good faith, believe superiors or colleagues are engaged in an improper course of illegal or unethical conduct, and they must be able to disclose such conduct free from fear or intimidation or reprisal.

Family Relationships

Messrs. Pedro E. Roxas and Santiago R. Elizalde are relatives within the fourth degree of consanguinity. There are no other family relationship up to the fourth civil degree either by consanguinity or affinity among the Directors, Executive Officers or persons nominated or chosen to be directors or executive officers.

Legal Proceedings

The Company is not aware of any legal proceeding/s during the last five (5) years up to the present, involving the members of its Board of Directors, Executive Officers or their property before any court of law or administrative body in the Philippines or elsewhere. However, it is aware that one if its officers, Ms. Sebastian, is involved in a few criminal and civil cases. Regardless, it does not put a serious question on her integrity and capability as officer. Neither has she been convicted or found guilty by final judgment in any of the cases and proceedings she is involved in, hence she enjoys the Constitutional presumption of innocence until found otherwise by a court of competent jurisdiction. Furthermore, as a mere officer of the Corporation, she had a personality separate and distinct from that of the Corporation. Thus, these cases should not disqualify the Corporation from the additional listing of its shares with the Philippine Stock Exchange.

Moreover, the Company is not in possession of any information indicating that the members of its Board of Directors or Executive Officers have been convicted by final judgment of any offense punishable under the laws of the Philippines or of any other country.

Executive Compensation

Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation
CEO and top four (4) executives	2013-14	Php21,092,695	Php6,828,977	
All officers & directors as a group unnamed	2013-14	Php53,142,080	Php16,972,356	Php6,843,500*

Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation
CEO and top four (4) executives	2014-15	Php23,044,008	Php1,920,334	
All officers & directors as a group unnamed	2014-16	Php66,653,844	Php5,554,487	Php6,795,223*

Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation
CEO and top four (4) executives	2015-16	Php23,044,008	Php1,920,000	
All officers & directors as a group unnamed	2015-16	Php55,000,000	Php5,500,000	Php7,000,000*

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

Corporate Governance

In compliance with SEC Memorandum Circular No. 2 dated 5 April 2002, the Company submitted its Manual on Corporate Governance (the "Manual") on 30 August 2002. Since its effectivity on 1 January 2003, the Company complied with the principles contained in the Manual insofar as they may be relevant to its businesses. It likewise established an evaluation system to measure or determine the level of compliance of its Board of Directors and top-level management with the Manual. Measures are also being undertaken by the Company to ensure full compliance with the leading practices it has adopted in the Manual such as the constitution of the Executive Committee, Audit & Risk Committee, Executive Compensation Committee and the Nomination, Election & Governance Committee, the election of the required number of independent directors to its Board of Directors and the amendment of Article 13 of its By-Laws on the qualifications and disqualifications of its directors in order to adopt the provisions of the Manual. The Company has not deviated from or violated the provisions of the Manual and it will improve on its corporate governance as may be required by law or the exigency of business. A revised Manual on Corporate Governance was submitted on 2 July 2014 to comply with the directive of SEC Memorandum Circular No. 9 of the SEC.

Corporate governance safeguards the interests of the Company, the Board of Directors, the shareholders, especially the minority shareholders, and 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 Organization for Economic Cooperation and Development, namely: (a) the 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.

The Company’s Board of Directors is composed of individuals of proven competence, integrity, and probity. These individuals determine the Company’s purposes, vision and mission, and strategies to carry out its objectives, ensure compliance with all relevant laws, regulations and codes of best business practices, adopt of a system of internal checks and balances, and install a process of selection to ensure a mix of competent directors and officers.

SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL SHAREHOLDERS

Security Ownership of Certain Record and Beneficial Owners

A list of shareholders owning 5% or more of the Company's stock as of 31 January 2016.

Title of Class	Name & Address of Owner/Relationship with Issuer	Name of Beneficial Ownership & Relationship with Record Owner	Citizenship	Number & Nature of Ownership	Percent of Class
Common	Roxas & Company, Inc. 7/F CG Building, 101 Aguirre St., Legaspi Village, Makati City (Shareholder)	Roxas & Company, Inc.	Filipino	56,478,910* (r & b)	30.96%
Common	First Pacific Natural Resources Holdings BV Prins Bernhardplein 200, 1097 JB Amsterdam, The Netherlands (Shareholder)	First Pacific Natural Resources Holdings BV	Foreign	309,197,760 (r & b)	26.86%
Common	PDC Nominee Corp. 37F Tower 1 The Enterprise Center, Ayala Ave., Makati City (Shareholder)	First Agri Holdings Corporation (client of PCD Participant)	Filipino	276,780,709 (b)	24.04%
Common	PCD Nominee Corp. 37F Tower 1 The Enterprise Center, Ayala Ave., Makati City (Shareholder)	Various Participants	Filipino	31,210,213** (r)	11.39%

Note: (r) and (b) denote record and beneficial owners of the Company, respectively
** including the 38,137,205 shares held through PCD Nominee Corporation*
*** excludes the 38,137,205 shares beneficially owned by Roxas & Company, Inc. representing 3.3% of the total issued and outstanding capital stock of the Company.*

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

Manuel V. Pangilinan, Ray C. Espinosa and Alex Erlito S. Fider are authorized to vote the shares of First Pacific Natural Resources Holdings BV and/or First Agri Holdings Corporation in the annual meetings of the Company.

Security Ownership of Management

The beneficial ownership of the Company's directors and executive officers as of 31 January 2016. The following are the number of shares owned of record by the Directors and the President & Chief Executive Officer (PCEO) and the percentage of shareholdings of each:

Title of Class	Name of Beneficial Owner	Citizenship	Number and Nature of Ownership	Percent of Class
Common	Pedro E. Roxas Chairman of the Board	Filipino	94,712 (r & b)	0.0001 **%**
Common	Manuel V. Pangilinan Vice-Chairman of the Board	Filipino	50,000 (r & b)	0.0000 %
Common	Ray C. Espinosa Director	Filipino	350,000 (r & b)	0.0003 %
Common	Alex Erlito S. Fider Director	Filipino	50,000 (r)	0.0000 %
Common	Santiago R. Elizalde Director	Filipino	100,000 (r & b)	0.0001 %
Common	Christopher H. Young Director	British	50,000 (r)	0.0000 %
Common	Hubert D. Tubio President & CEO	Filipino	62,500 (r & b)	0.0000%
Common	Geronimo C. Estacio Independent Director	Filipino	50,000 (r)	0.0000 %
Common	David L. Balangue Independent Director	Filipino	50,000 (r)	0.0000 %
	TOTAL		857,212 (r & b)	0.0007%

Note: (r) and (b) denote record and beneficial owners of the Company, respectively

Insider Trading Policy

The Company has an Insider Trading Policy which prohibits the purchase, sale, or trading in securities of the Company or another corporation while in possession of material non-public information. The Policy likewise prohibits the giving of material non-public information, directly or indirectly, to anyone. A violation of the Policy subjects the member of the Board of Directors, Board of Advisors, officer, or employee to disciplinary action in addition to possible civil and criminal actions.

Certain Relationships and Related Transactions

Mr. Manuel V. Pangilinan, Atty. Ray C. Espinosa, and Mr. Christopher H. Young hold the positions of CEO and Managing Director, Associate Director, and Chief Financial Officer, respectively, of First Pacific Company Limited. First Pacific Natural Resources Holdings BV and First Agri Holdings Corporation, own approximately 26.9% and 24.0%, respectively, of the outstanding capital stock of the Company as of 31 December 2015. First Pacific Natural Resources Holdings BV and First Agri Holdings Corporation are affiliates of First Pacific Company Limited. Mr. Pedro E. Roxas is also the Executive Chairman and the President & CEO of Roxas and Company, Inc. (RCI). RCI owns 30.96% of the outstanding capital stock of the Company as of 31 December 2015.

There is no transaction or proposed transaction during the last two (2) fiscal years to which the Company was or is to be a party in relation to any director, any nominee for election as director, any security holder of certain record or beneficial owner or management or any member of the immediate families of the directors.

Voting Trust

As far as the Company is aware or as otherwise disclosed in the Prospectus, none of the shareholders have entered into any voting trust or similar agreement.

Change in Control

As far as the Company is aware or as otherwise disclosed in the Prospectus, there are no arrangements that may result in a change in control of the Company.

TAXATION

The following is a general description of certain Philippine tax aspects of the investment in the Company. This discussion is based on laws, regulations, rulings, income tax conventions (tax treaties), administrative practices and judicial decisions in effect at the date of this Prospectus. Subsequent legislative, judicial or administrative changes or interpretations may be retroactive and could affect the tax consequences to the prospective investor.

The tax treatment of a prospective investor may vary depending on such investor's particular situation and certain investors may be subject to special rules not discussed below. This summary does not purport to address all tax aspects that may be important to an investor.

This general description does not purport to be a comprehensive description of the Philippine tax aspects of the investments in shares and no information is provided regarding the tax aspects of acquiring, owning, holding or disposing the shares under applicable tax laws of other applicable jurisdictions and the specific tax consequence in light of particular situations of acquiring, owning, holding and disposing the shares in such other jurisdictions. This summary does not purport to address all tax aspects that may be important to a holder of the Common Shares.

As used in this section, the term "resident alien" refers to an individual whose residence is within the Philippines and who is not a citizen of the Philippines; a "non-resident alien" is an individual whose residence is not within the Philippines and who is not a citizen of the Philippines. A non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a "non-resident alien doing business in the Philippines." A non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a "non-resident alien not doing business in the Philippines." A "resident foreign corporation" is a non-Philippine corporation engaged in trade or business within the Philippines; and a "non-resident foreign corporation" is a non-Philippine corporation not engaged in trade or business within the Philippines. The term "dividends" under this section refers to cash or property dividends. "Tax Code" means the Philippine National Internal Revenue of 1997, as amended.

EACH PROSPECTIVE HOLDER SHOULD CONSULT WITH HIS OWN TAX ADVISER AS TO THE PARTICULAR TAX CONSEQUENCES TO SUCH HOLDER OF PURCHASING, OWNING AND DISPOSING OF THE OFFER SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF ANY LOCAL AND NATIONAL TAX LAWS.

Corporate Income Tax

A domestic corporation is generally subject to a tax of 30% of its taxable income[2] from all sources within and outside the Philippines except, among others, (i) gross interest income from currency bank deposits and yield from deposit substitutes, trust funds and similar arrangements as well as royalties from sources within the Philippines which are generally taxed at the lower final withholding tax rate of 20% of the gross amount of such income; and (ii) interest income from a depository bank under the expanded foreign currency deposit system which is subject to a final tax rate of 7.5% of such income.

Further, in computing the corporate income tax, companies are given a choice to claim itemized deductions or the optional standard deduction ("OSD"), with the former being presumed unless

[2] Taxable income refers to the pertinent items of gross income specified in the National Internal Revenue Code of 1997, as amended (the "Tax Code") less the deductions and/or personal and additional exemptions, if any, authorized for such types of income by the Tax Code or other special laws.

specific election of OSD is signified in the tax return. The OSD election is irrevocable for the taxable year for which the tax return is made. The OSD is equivalent to an amount not exceeding 40.0% of the company's gross income. For this purpose, "Gross Income" means all income derived from whatever source, including, but not limited to, compensation for service, gross income derived from the conduct of trade or business or exercise of profession, gains derived from dealings in property, interests, rent, royalties, dividends, annuities, prizes and winnings.

A minimum corporate income tax of 2% of the gross income as of the end of the taxable year is imposed on a domestic corporation beginning on the fourth taxable year immediately following the year in which such corporation commenced its business operations, when the minimum corporate income tax is greater than the ordinary income tax for the taxable year.

Nevertheless, any excess of the minimum corporate income tax over the ordinary corporate income tax shall be carried forward and credited against the latter for the three (3) immediately succeeding taxable years. Further, subject to certain conditions, the minimum corporate income tax may be suspended with respect to a corporation which suffers losses on account of a prolonged labor dispute, force majeure or legitimate business reasons.

Tax on Dividends

Cash and property dividends received from a domestic corporation by individual shareholders who are either citizens or residents of the Philippines are subject to a final withholding tax at the rate of 10%, which tax shall be withheld by the Company.

Non-resident alien individuals engaged in trade or business in the Philippines are subject to a final withholding tax on dividends derived from the Common Shares at the rate of 20% on the gross amount thereof, subject to applicable preferential tax rates under tax treaties in force between the Philippines and the country of domicile or residence of such non-resident alien individual. A non-resident alien individual not engaged in trade or business in the Philippines is subject to a final withholding tax on dividends derived from the Common Shares at the rate of 25% of the gross amount, subject to applicable preferential tax rates under tax treaties in force between the Philippines and the country of domicile or residence of such non-resident alien individual.

The term "non-resident holder" means a holder of the Common Shares:

- who is an individual who is neither a citizen nor a resident of the Philippines or an entity which is a foreign corporation not engaged in trade or business in the Philippines; and
- should a tax treaty be applicable, whose ownership of the Common Shares is not effectively connected with a fixed base or a permanent establishment in the Philippines.

Cash and property dividends received by domestic corporations or resident foreign corporations are not subject to tax.

Cash and property dividends received from a domestic corporation by a non-resident foreign corporation are generally subject to a final withholding tax at the rate of 30%, which may be reduced to 15%, subject to applicable preferential tax rates under tax treaties in force between the Philippines and the country of domicile of such non-resident foreign corporation. The 30% rate for dividends paid to non-resident foreign corporations with countries of domicile having no tax treaty with the Philippines may be reduced to a special 15% rate if the country in which the non-resident foreign corporation is domiciled (i) imposes no taxes on foreign-sourced dividends or (ii) allows a credit against the tax due from the non-resident foreign corporation for taxes deemed to have been paid in the Philippines equivalent to 15%.

The following table lists some of the countries with which the Philippines has tax treaties and the tax rates currently applicable to non-resident holders who are residents of those countries:

Country	**Dividend (in %)**	**Capital gains tax due on disposition of Shares outside of the PSE (in %)**
Canada	25[1]	Exempt [8]
France	15[2]	Exempt[8]
Germany	15[3]	5/10[9]
Japan	15[4]	Exempt
Singapore	25[5]	Exempt
United Kingdom	25[6]	Exempt[10]
United States	25[7]	Exempt [8]

Notes:

(1) 15.0% if recipient company controls at least 10.0% of the voting power of the company paying the dividends.

(2) 10.0% if the recipient company (excluding a partnership) holds directly at least 10.0% of the voting shares of the company paying the dividends.

(3) 10.0% if the recipient company (excluding a partnership) owns directly at least 25.0% of the capital of the company paying the dividends.

(4) 10.0% if the recipient company holds directly at least 10.0% of either the voting shares of the company paying the dividends or of the total shares issued by that company during the six-month period immediately before the date of payment of the dividends.

(5) 15.0% if during the part of the paying company's taxable year which precedes the date of payment of dividends and during the whole of its prior taxable year at least 15.0% of the outstanding shares of the voting stock of the paying company was owned by the recipient company.

(6) 15.0% if the recipient company is a company which controls directly or indirectly at least 10% of the voting power of the company paying the dividends.

(7) 20.0% if during the part of the paying corporation's taxable year which precedes the date of payment of dividends and during the whole of its prior taxable year at least 10.0% of the outstanding shares of the voting stock of the paying corporation was owned by the recipient corporation. The withholding tax on dividends paid to corporations domiciled in the United States may be further reduced to 15.0% under the tax-sparing clause of the Tax Code provided certain conditions are met.

(8) Capital gains are taxable only in the country where the seller is a resident, provided the shares are not those of a corporation, the assets of which consist principally of real property situated in the Philippines, In which case the sale is subject to Philippine taxes. Under Philippine tax regulations, the term "principally" means more than 50% of the entire assets of the Philippine corporation in terms of value.

(9) Under the RP-Germany Tax Treaty, capital gains from the alienation of shares of a Philippine corporation may be taxed in the Philippines irrespective of the nature of the assets of the Philippine corporation. Tax rates are 5.0% on the net capital gains realized during the taxable year not in excess of ₱100,000.00 and 10.0% on the net capital gains realized during the taxable year in excess of ₱100,000.00.

(10) Under the RP-UK Tax Treaty, capital gains on the sale of the stock of Philippine corporations are subject to tax only in the country where the seller is a resident.

The Bureau of Internal Revenue ("BIR") has prescribed, through administrative issuances, certain procedures for the availment of preferential tax rates or tax treaty relief. The application for tax treaty relief has to be filed with the BIR by the non-resident shareholder (or its duly authorized representative) prior to the first taxable event, or prior to the first and only time the income tax payer is required to withhold the tax thereon, or should have withheld taxes thereon had the transaction been subject to tax. The "first taxable event" has been construed by the BIR as "payment of the dividend". Subject to the approval by the BIR of a non-resident shareholder's application for tax treaty relief, the company shall withhold taxes at a reduced rate on dividends to be paid to a non-resident holder. Failure to file with the BIR an application for tax treaty relief before the first table event may disqualify the said application. However, the Philippine Supreme Court in *Deutsche Bank AG Manila Branch v. CIR, G.R. No. 188550,* ruled that the period of application for the availment of tax treaty relief should not operate to divest the taxpayer the entitlement to the tax relief as it would constitute a violation of the duty required by good faith to comply with the treaty. At most, the application for a tax treaty relief to be filed with the BIR should merely operate to confirm the entitlement of the taxpayer to such relief.

The requirements for a tax treaty relief application in respect of dividends are set out in the applicable tax treaty and in BIR Form No. 1901-D. These include proof of tax residence in the country that is a party to the tax treaty. Proof of tax residence consists of a consularized certification from the tax authority of the country of residence of the non-resident shareholder which states that the non-resident stockholder is a tax resident of such country under the applicable tax treaty. If the non-resident shareholder is a juridical entity, an authenticated certificated true copy of its articles of incorporation or articles of association issued by the proper government authority should also be submitted to the BIR in addition to the foregoing.

If the regular tax rate is withheld by the company instead of the reduced rates applicable under a treaty, the non-resident holder of the shares may file a claim for refund from the BIR. However, because the refund process in the Philippines requires the filing of an administrative claim and the submission of supporting information, and may also involve the filing of a judicial appeal, it may be impractical to pursue such a refund. Moreover, in view of the requirement of the BIR that an application for tax treaty relief be filed prior to the first taxable event as previously stated, the non-resident holder of common shares may not be able to successfully pursue a claim for refund if such an application is not filed before such deadline.

Stock dividends distributed pro-rata to any holder of shares of stock are not generally subject to Philippine income tax. However, the sale, exchange or disposition of shares received as stock dividends by the shareholder is subject to capital gains or stock transaction tax, and documentary stamp tax. Moreover, a stock dividend constitutes income if it gives the shareholder an interest different from that which his former stockholdings represented. A stock dividend does not constitute income if the new shares confer no different rights or interest than did the old.

SALE, EXCHANGE OR DISPOSITION OF SHARES

Capital Gains Tax, if sale was made outside the PSE

The net capital gains realized by a resident or non-resident other than a dealer in securities during each taxable year from the sale, exchange or disposition of shares of stock (i.e. secondary sale of common shares by the holder to another party) outside the facilities of the PSE are subject to tax as follows: 5% on gains not exceeding ₱100,000.00 and 10% on the gains over ₱100,000.00. If an applicable tax treaty exempts the gains from tax, an application for tax treaty relief must be properly filed with the Philippine tax authorities and should precede any availment of an exemption under a tax treaty.

The transfer of shares shall not be recorded in the Company's books unless the BIR certifies that the capital gains and documentary stamp taxes relating to the sale or transfer have been paid or, where applicable, tax treaty relief has been confirmed by the International Tax Affairs Division of the BIR in respect of the capital gains tax or other conditions have been met.

Stock Transaction Tax

A sale or other disposition of shares of stock through the facilities of the PSE by a resident or a nonresident holder, other than a dealer in securities, is subject to a stock transaction tax at the rate of 0.5% of the gross selling price or gross value in money of the shares of stock sold or otherwise disposed. This tax is required to be collected by and paid to the Philippine Government by the selling stockbroker on behalf of his client. The stock transaction tax is classified as a percentage tax and although it is paid in lieu of a capital gains tax, it is not a tax on income, hence, cannot be subject of the tax exemption or preferential rates provided under tax treaties as discussed herein.

On November 7, 2012, the BIR issued Revenue Regulations No. 16-2012 which provided that the sale, barter, transfer, and/or assignment of shares of listed companies that fail to meet the minimum public ownership ("MPO") requirement after December 31, 2012 will be subject to capital gains tax and documentary stamp tax. It also required publicly listed companies to submit public ownership reports to the BIR within 15 days after the end of each quarter.

The PSE shall impose a trading suspension for a period of not more than six months, on shares of a listed company who has not complied with the Rule on MPO which requires listed companies to maintain its MPO at 10% of the listed companies' issued and outstanding shares at all times. Companies which do not comply with the MPO after the lapse of the trading suspension shall be automatically delisted.

The sale of such listed company's shares during the trading suspension may be effected only outside the trading system of the PSE and shall be subject to capital gains tax and documentary stamp tax. Furthermore, if the fair market value of the shares of stock sold is greater than the consideration or the selling price, the amount by which the fair market value of the shares exceeds the selling price shall be deemed a gift that is subject to donor's tax under Section 100 of the Tax Code.

Value Added Tax

Value Added Tax (VAT) of 12% may generally be imposed on the gross income earned by dealers in securities and on the commission earned by the PSE-registered broker from services provided in connection with the sale of shares. VAT is generally passed on to the client.

Documentary Stamp Tax

The original issue of shares of stock is subject to documentary stamp tax (DST) of ₱1.00 for each ₱200.00, or a fractional part thereof, of the par value of the shares of stock issued. On the other hand, the transfer of shares is subject to a documentary stamp tax at a rate of ₱0.75 on each ₱200, or fractional part thereof, of the par value of the shares. The documentary stamp tax is imposed on the person making, signing, issuing, accepting or transferring the document and is thus payable either by the vendor or the purchaser of the shares. However, the sale, barter or exchange of the Company's common shares listed and traded through the PSE are exempt from documentary stamp tax.

Estate and Donor's Tax

Shares issued by a corporation organized under Philippine laws are deemed to have a Philippine situs, and any transfer thereof by way succession or donation, even if made by a non-resident decedent or donor outside the Philippines, is subject to Philippine estate and donor's tax, respectively.

The transfer of shares of stock upon the death of an individual holder to his heirs by way of succession, whether such holder was a citizen of the Philippines or an alien, regardless of residence, is subject to Philippine estate taxes at progressive rates ranging from 5% to 20%, if the net estate is over ₱200,000.00.

On the other hand, individual stockholders, whether or not citizens or residents of the Philippines, who transfer shares of stock by way of gift or donation are liable to pay Philippine donor's tax on such transfer of shares ranging from 2% to 15% of the net gifts during the calendar year exceeding ₱100,000.00. The rate of tax with respect to net gifts made to a stranger (i.e., one who is not a brother, sister, spouse, ancestor, lineal descendant or relative by consanguinity within the fourth degree of relationship) is a flat rate of 30%. Donations between business organizations, and between individuals and business organizations are considered donations made to a stranger.

The sale, exchange or transfer of shares outside the facilities of the PSE may also be subject to donor's tax when the fair market value of the shares of stock sold is greater than the amount of money received by the seller. In this case, the excess of the fair market value of the shares of stock sold over the amount of money received as consideration shall be deemed a gift subject to donor's tax.

Estate and donor's tax, however, shall not be collected in respect of intangible personal property, such as shares of stock: (a) if the decedent at the time of his death or the donor at the time of the donation was a citizen and resident of a foreign country which at the time of his death or donation did not impose a transfer tax of any character, in respect of intangible personal property of citizens of the Philippines not residing in that foreign country, or (b) if the laws of the foreign country of which the decedent or donor was a citizen and resident at the time of his death or donation allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in that foreign country.

TAXATION OUTSIDE THE PHILIPPINES

Shares of stock in a domestic corporation are considered under Philippine law as situated in the Philippines and the gain derived from their sale is entirely from Philippine sources; hence, such gain is subject to Philippine income tax. For the same reason, the transfer of such shares by way of donation (gift) or succession is subject to Philippine donor's or estate taxes, respectively as stated above.

The tax treatment of a non-resident holder of shares of stock in jurisdictions outside the Philippines may vary depending on the tax laws applicable to such holder by reason of domicile or business activities and such holder's particular situation. This Prospectus does not discuss the tax considerations on non-resident holders of shares of stock under laws other than those of the Philippines.

PHILIPPINE STOCK MARKET

Brief History

The Philippines initially had two stock exchanges, the Manila Stock Exchange, which was organized in 1927, and the Makati Stock Exchange, which began operations in 1963. Each exchange was self-regulating, governed by its respective Board of Governors elected annually by its members.

Several steps initiated by the Government and undertaken over the last few years have resulted in the unification of the two bourses into the PSE. The PSE was incorporated in 1992 by officers of both the Makati and the Manila Stock Exchanges. In March 1994, the licenses of the two exchanges were revoked. While the PSE maintains two trading floors, one in Makati City and the other in Pasig City, these floors are linked by an automated trading system which integrates all bids and ask quotations from the bourses.

In June 1998, the SEC granted the PSE a Self-Regulatory Organization ("SRO") status, allowing it to impose rules as well as implement penalties on erring trading participants and listed companies. On August 8, 2001, PSE completed its demutualization, converting from a non-stock member-governed institution into a stock corporation in compliance with the requirements of the Securities Regulation Code. The PSE has an authorized capital stock of ₱36.8 million, of which ₱15.3 million is subscribed and fully paid-up. Each of the 184 member-brokers was granted 50,000 shares of the new PSE at a par value of ₱1.00 per share. In addition, a trading right evidenced by a "Trading Participant Certificate" was immediately conferred on each member broker allowing the use of the PSE's trading facilities. As a result of the demutualization, the composition of the PSE Board of Governors was changed, requiring the inclusion of seven brokers and eight non-brokers, one of whom is the President. On December 15, 2003, the PSE listed its shares by way of introduction at its own bourse as part of a series of reforms aimed at strengthening the Philippine securities industry.

Classified into financial, industrial, holding firms, property, services, mining and oil sectors, companies are listed either on the PSE's Main Board, or the Small and Medium Enterprises Board. Each index represents the numerical average of the prices of component stocks. The PSE has an index, referred to as the PSEi, which as at the date hereof reflects the price movements of 30 selected stocks listed on the PSE, based on traded prices of stocks from the various sectors. The PSE shifted from full market capitalization to free float market capitalization effective April 3, 2006 simultaneous with the migration to the free float index and the renaming of the PHISIX to PSEi. The PSEi is composed of shares of 30 selected companies listed on the PSE. On July 26, 2010, the PSE launched its current trading system, PSE Trade.

With the increasing calls for good corporate governance, the PSE has adopted an online daily disclosure system to improve the transparency of listed companies and to protect the investing public.

Selected Stock Exchange Data

in ₱ billions

Year	Composite Index at Closing	Number of Listed Companies	Aggregate Market Capitalization	Combined Value of Turnover
1999	2,142.9	226	1,937.7	713.9
2000	1,494.5	230	2,577.6	357.6
2001	1,168.1	232	2,142.6	159.5
2002	1,018.4	234	2,083.2	159.7
2003	1,442.4	236	2,973.8	145.4
2004	1,822.8	236	4,766.2	206.6
2005	2,096.0	237	5,984.4	383.5
2006	2,982.5	240	7,172.8	572.6
2007	3,621.6	244	7,978.5	1,338.2
2008	1,872.8	246	4,069.2	763.9
2009	3,052.7	248	6,029.1	994.2
2010	4,201.1	253	8,866.1	1,207.4
2011	4,372.0	245	8,697.0	1,422.6
2012	5,812.7	254	10,952.7	1,717.7
2013	5,898.8	257	11,931.3	2,564.3
2014	7,230.5	263	14,251.7	2,130.1
2015	6,952.1	267	14,496.4	3,574.8

Trading

The PSE is a double auction market. Buyers and sellers are each represented by stock brokers. The trade, bids or ask prices are posted on the PSE's electronic trading system. A buy (or sell) order that matches the lowest asked (or highest bid) price is automatically executed. Buy and sell orders received by one broker at the same price are crossed at the PSE at the indicated price. Transactions are generally invoiced through a confirmation slip sent to customers on the trade date (or the following trading date). Payment of purchases of listed securities must be made by the buyer on or before the third trading day (the settlement date) after the trade.

Trading on the PSE pre-opens at 9:00 am and opens from 9: 30 am to 12:00 p.m., then recesses until 1:29 pm. The market re-opens at 1:30 pm. At 3:15 pm the market pre-closes then enters a run-off period at 3:20 pm, finally closing at 3:30 pm. Trading days are Monday to Friday, except legal and special holidays.

Minimum trading lot size shall be 1,000 shares or ₱2,750 . Odd-sized lots are traded by brokers on a board specifically designed for odd-lot trading.

To maintain stability in the stock market, daily price swings are monitored and regulated. Under current PSE regulations, when the price of a listed security moves up by 50.0% or down by 50.0% in one day (based on the last traded price), the price of that security is automatically frozen by the PSE, unless there is an official statement from the relevant company or a government agency justifying such price fluctuation, in which case the affected security can still be traded but only at the frozen price. If the issuer fails to submit such explanation, a trading halt is imposed by the PSE on the listed security the following day. Resumption of trading will be allowed only when the disclosure of the issuer is disseminated, subject again to the trading ban.

Non-Resident Transactions

When the purchase/sale of the Philippine shares involves a non-resident, whether the transaction is effected in the domestic or foreign market, it will be the responsibility of the securities dealer/broker to register the transaction with the BSP. The local securities dealer/broker shall file with the BSP, within three (3) Business Days from the transaction date, an application in the prescribed registration form. After compliance with other required undertakings, the BSP shall issue a Certificate of Registration. Under BSP rules, all registered foreign investments in Philippine securities including profits and dividends, net of taxes and charges, may be repatriated.

Settlement

The Securities Clearing Corporation of the Philippines (SCCP) is a wholly-owned subsidiary of the PSE, and was organized primarily as a clearance and settlement agency for SCCP-eligible trades executed through the facilities of the PSE. It is responsible for (a) synchronizing the settlement of funds and the transfer of securities through Delivery versus Payment (DVP) clearing and settlement of transactions of Clearing Members, who are also Trading Participants of the Exchange; (b) guaranteeing the settlement of trades in the event of a Trading Participant's default through the implementation of its Fails Management System and administration of the Clearing and Trade Guaranty Fund (CTGF); and (c) performance of Risk Management and Monitoring to ensure final and irrevocable settlement.

SCCP settles PSE trades on a 3-day rolling settlement environment, which means that settlement of trades takes place three (3) days after transaction date (T+3). The deadline for settlement of trades is 12:00 noon of T+3. Securities sold should be in scripless form and lodged under PDTC's book entry system. Each Trading Participant maintains a Cash Settlement Account with one of the existing Settlement Banks of SCCP which are BDO Unibank, Inc., Metropolitan Bank and Trust Company, Deutsche Bank, Union Bank of the Philippines, The Hong Kong Shanghai Banking Corporation Limited, Maybank Philippines Inc., and Rizal Commercial Banking Corporation. Payment for securities bought should be in good, cleared funds and should be final and irrevocable. Settlement is presently on a broker level.

SCCP implemented its new clearing and settlement system called Central Clearing and Central Settlement (CCCS) last May 29, 2006. CCCS employs multilateral netting whereby the system automatically offsets "buy" and "sell" transactions on a per issue and a per flag basis to arrive at a net receipt or a net delivery security position for each Clearing Member. All cash debits and credits are also netted into a single net cash position for each Clearing Member. Novation of the original PSE trade contracts occurs, and SCCP stands between the original trading parties and becomes the Central Counterparty to each PSE-Eligible trade cleared through it.

Scripless Trading

In 1995, the Philippine Depository & Trust Corporation (formerly the Philippine Central Depository, Inc.), was organized to establish a central depository in the Philippines and introduce scripless or book-entry trading in the Philippines. On December 16, 1996, the PDTC was granted a provisional license by the SEC to act as a central securities depository.

All listed securities at the PSE have been converted into book-entry settlement in the PDTC. The depository service of the PDTC provides the infrastructure for lodgment (deposit) and upliftment (withdrawal) of securities, pledge of securities, securities lending and borrowing and corporate actions including shareholders' meetings, dividend declarations and rights offerings. The PDTC also provides depository and settlement services for non-PSE trades of listed equity securities. For transactions on the PSE, the security element of the trade will be settled through the book-entry system, while the cash element will be settled through the current settlement banks, BDO Unibank, Inc., Metropolitan Bank and Trust Company, Deutsche Bank, Union Bank of the Philippines, The Hong Kong Shanghai Banking Corporation Limited, Maybank Philippines Inc., and Rizal Commercial Banking Corporation.

In order to benefit from the book-entry system, securities must be immobilized into the PDTC system through a process called lodgment. Lodgment is the process by which shareholders transfer legal title (but not beneficial title) over their shares of stock in favor of PCD Nominee Corporation (''PCD Nominee''), a corporation wholly owned by the PDTC whose sole purpose is to act as nominee and legal title holder of all shares of stock lodged into the PDTC. ''Immobilization'' is the process by which the warrant or share certificates of lodging holders are canceled by the transfer agent and the corresponding transfer of beneficial ownership of the immobilized shares in the account of PCD Nominee through the PDTC participant will be recorded in the Issuer's registry. This trust arrangement between the participants and PDTC through PCD Nominee is established by and explained in the PDTC Rules and Operating Procedures approved by the SEC. No consideration is paid for the transfer of legal title to PCD Nominee. Once lodged, transfers of beneficial title of the securities are accomplished via book-entry settlement.

Under the current PDTC system, only participants (e.g. brokers and custodians) will be recognized by the PDTC as the beneficial owners of the lodged equity securities. Thus, each beneficial owner of shares, through his participant, will be the beneficial owner to the extent of the number of shares held by such participant in the records of the PCD Nominee. All lodgments, trades and uplifts on these shares will have to be coursed through a participant. Ownership and transfers of beneficial interests in the shares will be reflected, with respect to the participant's aggregate holdings, in the PDTC system, and with respect to each beneficial owner's holdings, in the records of the participants. Beneficial owners are thus advised that in order to exercise their rights as beneficial owners of the lodged shares, they must rely on their participant-brokers and/or participant-custodians.

Any beneficial owner of shares who wishes to trade his interests in the shares must course the trade through a participant. The participant can execute PSE trades and non-PSE trades of lodged equity securities through the PDTC system. All matched transactions in the PSE trading system will be fed through the SCCP, and into the PDTC system. Once it is determined on the settlement date (trading date plus three trading days) that there are adequate securities in the securities settlement account of the participant-seller and adequate cleared funds in the settlement bank account of the participant-buyer, the PSE trades are automatically settled in the CCCS, in accordance with the SCCP and PDTC Rules and Operating Procedures. Once settled, the beneficial ownership of the securities is transferred from the participant-seller to the participant-buyer without the physical transfer of stock certificates covering the traded securities.

If a stockholder wishes to withdraw his stockholdings from the PDTC System, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the stockholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedure of the PDTC for the upliftment of shares lodged under the name of PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under the PCD Nominee. The expenses for upliftment are for the account of the uplifting shareholder.

The difference between the depository and the registry would be on the recording of ownership of the shares in the issuing corporations' books. In the depository set-up, shares are simply immobilized, wherein customers' certificates are canceled and a confirmation advice is issued in the name of PCD Nominee Corp. Transfers among/between broker and/or custodian accounts, as the case may be, will only be made within the book-entry system of PDTC. However, as far as the issuing corporation is concerned, the underlying certificates are in the nominee's name. In the registry set-up, settlement and recording of ownership of traded securities will already be directly made in the corresponding issuing company's transfer agents' books or system. Likewise, recording will already be at the beneficiary level (whether it be a client or a registered custodian holding securities for its clients), thereby removing from the broker its current ''de facto'' custodianship role.

Amended Rule on Lodgement of Securities

One June 24, 2009, the PSE apprised all listed companies and market participants through Memorandum No. 2009-0320 that commencing on July 1, 2009, as a condition for the listing and trading of the securities of an applicant company, the applicant company shall electronically lodge its registered securities with the PDTC or any other entity duly authorized by the SEC, without any jumbo or mother certificate, in compliance with the requirements of Section 43 of the SRC. In compliance with the foregoing requirement, actual listing and trading of securities on the scheduled listing date shall take effect only after submission by the applicant company of the documentary requirements stated in Article III Part A of the PSE's Revised Listing Rules.

Further, the PSE apprised all listed companies and market participants on May 21, 2010 through Memorandum No. 2010-0246 that the Amended Rule on Lodgement of Securities under Section 16 of Article III, Part A of the Revised Listing Rules of the PSE shall apply to all securities that are lodged with the PDTC or any other entity duly authorized by the PSE.

For listing applications, the amended rule on lodgment of securities is applicable to:

a. The offer shares/securities of the applicant company in the case of an initial public offering;
b. The shares/securities that are lodged with the PDTC, or any other entity duly authorized by the Commission in the case of a listing by way of introduction;
c. New securities to be offered and applied for listing by an existing listed company; and
d. Additional listing of securities of an existing listed company.

Pursuant to the said amendment, the PDTC issued an implementing procedure in support thereof, to wit:

"For new companies to be listed at the PSE as of July 1, 2009 the usual procedure will be observed but the Transfer Agent of the companies shall no longer issue a certificate to PCD Nominee Corp. but shall issue a Registry Confirmation Advice, which shall be the basis for the PDTC to credit the holdings of the Depository Participants on listing date.

On the other hand, for existing listed companies, the PDTC shall wait for the advice of the Transfer Agents that it is ready to accept surrender of PCNC jumbo certificates and upon such advice the PDTC shall surrender all PCNC jumbo certificates to the Transfer Agents for cancellation. The Transfer Agents shall issue a Registry Confirmation Advice to PCNC evidencing the total number of shares registered in the name of PCNC in the Issuer's registry as a confirmation date."

FINANCIAL STATEMENTS

1. Unaudited Consolidated Financial Statements of Roxas Holdings, Inc. and Subsidiaries for the 1st quarter ended December 31, 2015 and 2014

2. Audited Consolidated Financial Statements of Roxas Holdings, Inc and Subsidiaries for the period ended September 30, 2015 and 2014

3. Audited Consolidated Financial Statements of Roxas Holdings, Inc and Subsidiaries for the period ended September 30, 2014 and 2013

PARTIES TO THE OFFER

Issuer	**Roxas Holdings, Inc.** 6th Floor, CG Building 101 Aguirre St., Legaspi Village Makati City
Underwriter	**BDO Capital & Investment Corporation** 20th Floor, South Tower, BDO Corporate Center 7899 Makati Avenue, Makati City
Legal Counsel	**Picazo Buyco Tan Fider & Santos** 18th Floor, Liberty Center 104 H. V. dela Costa Street, Makati City
Stock Transfer Agent	**BDO Unibank, Inc. - Trust and Investments Group** 15th Floor, South Tower, BDO Corporate Center 7899 Makati Avenue, Makati City
Independent Auditor	**Reyes Tacandong & Co.** 26th Floor Citibank Tower 8741 Paseo de Roxas, 1226 Makati City

SEC Number PW 15
File ________

ROXAS HOLDINGS, INC. (formerly CENTRAL AZUCARERA DON PEDRO)

(Company's Full Name)

6/F Cacho Gonzales Bldg., 101 Aguirre St., Legaspi Village, Makati City

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(Company's Address)

(632) 810-8901 to 06

(Company's Telephone Number)

September 30, 2016

(Fiscal Year Ending)

SEC Form 17-Q

(Form Type)

Amended Designation (If Applicable)

December 31, 2015

Period Ended Date

(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17- Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarter ended: 31 December 2015

2. Commission Identification Number **15A**

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

4. Exact name of registrant as specified in its charter **ROXAS HOLDINGS, INC. (FORMERLY CENTRAL AZUCARERA DON PEDRO)**

5. Province, country or other jurisdiction of incorporation or organization
Philippines

6 Industry Classification Code:

7. Address of principal office Postal Code
6/F Cacho Gonzales Bldg., 101 Aguirre St.,
Legaspi Village, Makati City **1200**

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

9. Former name, former address and former fiscal year, if changed since last report
Not Applicable

10. Securities registered pursuant to Sections 4 and 8 of the SRC

Title of Each Class	Number of Shares and Amount of Debt Outstanding
Authorized Capital Stock:	
No. of common shares issued and outstanding	1,151,645,404
No. of preferred shares issued and outstanding	-
Amount of debt outstanding as of 31 December 2015	P 9,557,366,000

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

Yes [**X**] No [ ]

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 11 of the Securities Revised Code (SRC) and SRC Rule 11(a)-1 there under and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period the registrant was required to file such reports)

Yes [**X**] No [ ]

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

Yes [ ] No [**X**]

FINANCIAL INFORMATION

Item 1. Financial Statements.

Please See Annex "A".

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Please See Annex "B".

OTHER INFORMATION

1. New projects or investments in another project, line of business or corporation;

None for the period.

2. Composition of Board of Directors;

PEDRO E. ROXAS	**Chairman**
MANUEL V. PANGILINAN	**Vice Chairman**
HUBERT D. TUBIO	**President and CEO**
CHRISTOPHER H. YOUNG	**Director**
RAY C. ESPINOSA	**Director**
ALEX ERLITO S. FIDER	**Director**
SANTIAGO R. ELIZALDE	**Director**
GERONIMO C. ESTACIO	**Independent Director**
DAVID L. BALANGUE	**Independent Director**

3. Performance of the corporation or result or progress of operations;

    Required information are contained in Annexes "A" and "B".

4. Suspension of operations;

    None for the period.

5. Declaration of dividends;

    None for the period.

6. Contracts of merger, consolidation or joint venture; contract of management, licensing, marketing, distributorship, technical assistance or similar agreements;

    None for the period.

7. Financing through loans;

    None for the period

8. Offering of rights, granting of Stock Options and corresponding plans therefore;

    None for the period

9. Acquisition of other capital assets or patents, formula or real estates;

    None for the period.

10. Any other information, event or happening that may affect the market price of the company's shares;

    None for the period.

11. Transferring of assets, except in the normal course of business;

    None for the period.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant

ROXAS HOLDINGS, INC. (formerly CENTRAL AZUCARERA DON PEDRO)

Signature and Title:

FLORENCIO M. MAMAUAG, JR
Compliance Officer, Chief Information Officer, Asst. Corp. Secretary, VP Legal

CELSO T. DIMARUCUT
EVP-Chief Financial Officer

February 10, 2016

ANNEX A

Roxas Holdings, Inc. and Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS
First Quarter Ended December 31, 2015 and 2014

Consolidated Statements of Financial Position
As at December 31, 2015 and September 30, 2015

Consolidated Statements of Income, Changes in Equity and Cash flows
For the period ended December 31, 2015 and 2014

ROXAS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(All Amounts in Thousands Philippine Peso)

	Notes	December 31, 2015 (Unaudited)	September 30, 2015 (Audited)
CURRENT ASSETS			
Cash and cash equivalents	7	375,088	202,415
Receivables, net	8	1,501,720	1,262,012
Inventories, net	9	1,728,796	1,500,826
Other current assets	10	919,651	625,605
Total current assets		4,525,254	3,590,858
NON-CURRENT ASSETS			
Property, plant and equipment, net	12	14,461,849	14,373,419
Investment property	13	311,192	311,110
Investment in shares of stock of an associate	11	650,083	674,600
Goodwill	6	1,236,052	1,236,052
Net pension plan assets	17	112,732	113,932
Defered Tax Asset, net	26	251,689	188,323
Other noncurrent assets		50,019	48,466
Total non-current assets		17,073,615	16,945,902
Total assets		21,598,869	20,536,760
CURRENT LIABILITIES			
Short-term borrowings	14	4,520,309	3,268,601
Current portion of long term debt	15	800,329	1,244,649
Trade and other payables	16	1,874,751	1,548,317
Income tax payable		20,072	15,471
Dividends payable		5,099	1,036
Customers' deposits		456,131	397,322
Total current liabilities		7,676,691	6,475,396
NON-CURRENT LIABILITIES			
Long-term borrowings, net	15	4,236,728	4,235,985
Net pension benefit obligation	17	245,264	232,908
Deferred income tax liabilities	26	1,042,709	1,037,416
Other noncurrent liabilities		1,300	40,150
Total non-current liabilities		5,526,001	5,546,459
Total liabilities		13,202,692	12,021,855
EQUITY	18	8,396,177	8,514,905
Total liabilities and equity		21,598,869	20,536,760

ROXAS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE PERIOD ENDED DECEMBER 31, 2015 AND 2014
(All Amounts in Thousands Philippine Peso)

	Notes	December 31, 2015 (Unaudited)	December 31, 2014 (Unaudited)
REVENUES	21	2,705,851	1,178,707
COST OF SALES	22	(2,593,056)	(998,195)
GROSS PROFIT		112,795	180,512
OTHER OPERATING INCOME	25	12,184	9,041
		124,978	189,553
OPERATING EXPENSES			
General and administrative	23	(234,560)	(131,610)
Selling	23	(5,977)	(4,327)
		(240,538)	(135,937)
OPERATING PROFIT		(115,559)	53,617
EQUITY IN NET EARNINGS (LOSS) OF AN ASSOCIATE	11	38,862	19,614
FINANCE INCOME (COSTS)			
Interest expense		(106,245)	(64,675)
Interest income		1,722	328
		(104,523)	(64,347)
INCOME BEFORE INCOME TAX		(181,221)	8,884
INCOME TAX (EXPENSE) BENEFIT			
Current	26	(2,974)	0
Deferred	26	59,356	
		56,382	0
NET INCOME FOR THE PERIOD		(124,839)	8,884
Attributable to:			
Equity holders of the parent company		(120,962)	8,884
Minority interest		(3,876)	-
		(124,839)	8,884
INCOME PER SHARE			
Basic	27	(0.11)	0.01
Diluted	27	(0.11)	0.01

ROXAS HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED DECEMBER 31, 2015 AND 2014
(All Amounts in Thousands Philippine Peso)

	December 31, 2015 (Unaudited)	December 31, 2014 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	(181,221)	8,884
Adjustments for:		
Equity in net earnings of an associate	(38,862)	(19,614)
Depreciation and amortization	220,246	178,468
Interest expense	106,245	64,675
Employee stock option	6,112	-
Interest income	(1,722)	(328)
Net cash before working capital change	110,799	232,085
(Increase) decrease in current assets		
Receivables	(239,708)	395,817
Inventories	(227,970)	(240,984)
Prepayments and other current assets	(294,128)	(358,768)
Increase (decrease) in current liabilities		
Accounts payable and accrued expenses	330,496	404,338
Customers' deposit	58,809	115,129
Increase (decrease) in pension benefit obligation	13,556	-
Cash generated from operations	(248,145)	547,617
Income tax paid including final tax & application of CWT	60,983	-
Net cash provided by (used in) operating activities	(187,163)	547,617
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(308,676)	(152,420)
Equity investment (acquisition of a subsidiary)	(38,850)	-
Dividends received	63,379	40,255
Decrease in other assets	(59,626)	(11,653)
Interest received	1,722	328
Net cash provided by (used in) investing activities	(342,050)	(123,490)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of		
Long-term loans	(443,577)	(179,100)
Short-term loans	1,251,708	(106,533)
Dividends declared/paid		(108,213)
Interest paid	(106,245)	(64,675)
Net cash provided by (used in) financing activities	701,886	(458,521)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FOR THE PERIOD	172,673	(34,394)
CASH AND CASH EQUIVALENTS		
Beginning	202,415	106,032
Ending	375,088	71,638

ROXAS HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

AS AT DECEMBER 31, 2015 AND 2014

(All Amounts in Thousands Philippine Peso)

	December 31, 2015 (Unaudited)	December 31, 2014 (Unaudited)
SHARE CAPITAL	1,169,289	1,168,976
Authorized capital - 1,500,000,000 @ P1 per share		
Issued - 1,169,288,884 shares		
SHARE PREMIUM	1,580,105	574,912
EFFECTS OF CHANGE IN OWNERSHIP OF SUBSIDIARIES	44,567	44,120
SHARE IN REVALUATION INCREMENT IN PROPERTY	207,492	207,492
REVALUATION INCREMENT IN PROPERTY	2,476,063	2,476,063
EXCESS IN INVESTMENT COST	577,148	577,148
OTHER COMPREHENSIVE INCOME(LOSS)	(160,248)	(142,971)
RETAINED EARNINGS		
Beginning balance	2,515,315	2,647,046
Share of Parent company in net loss for the period	(120,963)	8,884
TREASURY STOCK	(52,290)	(768,860)
(17,643,480 shares in 2016 and 259,424,189 shares in 2015)		
MINORITY INTEREST		
Beginning balance	163,576	34,787
Share of Minority Interest for this period	(3,876)	-
	8,396,177	6,827,596

ROXAS HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED DECEMBER 31, 2015 AND 2014

(All Amounts in Philippine Peso)

	December 31, 2015 (Unaudited)	December 31, 2014 (Unaudited)
Net income for the period	(124,839)	8,884
Other comprehensive income	-	-
Total comprehensive income	(124,839)	8,884

ROXAS HOLDINGS, INC. AND SUBSIDIARIES

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 December 31, 2015.

As at December 31, 2015 and September 30, 2015, the Parent Company has 2,138 and 2,150 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, Barrio Consuelo, La Carlota City, Negros Occidental and San Carlos Ecozone, San Carlos City, Negros Occidental.

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**

Adoption of New and Revised PFRS
The Group adopted the following new and revised PFRS effective October 1, 2015 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, *Impairment 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.

<u>New and Revised PFRS Not Yet Adopted</u>
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
	2016	2015	2014	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%	100.00%	–	Agricultural business	Batangas City
Roxas Pacific Bioenergy Corporation (RPBC)[2]	100.00%	100.00%	–	Holding company for bioethanol investments	Makati City
RHI Pacific Commercial Corp. (RHIPCC)[2]	100.00%	100.00%	–	Selling arm of RHI Group	Makati City
San Carlos Bioenergy, Inc. (SCBI)[3]	93.68%	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

[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 was 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 it's 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 December 31, 2015 and September 30, 2015.

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 December 31, 2015 and September 30, 2015 (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 December 31, 2015 and September 30, 2015 (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.

Fair Value Measurement

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active market for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting year.

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

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

- Note 5, "Significant Judgments, Accounting Estimates and Assumptions - 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"

Inventories
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.

Other Current Assets
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.

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

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

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

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

Property, Plant and Equipment

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

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

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

<u>Revenue Recognition</u>

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.

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

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

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

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

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.

Employee Benefits

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

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

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

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

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

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

The 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 December 31, 2015 and September 30, 2015 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 ₱6.1 million and ₱35.1 million as of December 31, 2015 and September 30, 2015, 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.

- <u>Operating Lease - The Group as a Lessee</u>. 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 ₱49.8 million and ₱30.6 million, included in “Cost of goods sold” and “General and administrative expenses” accounts, as of December 31, 2015 and 2014, 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 ₱6.1 million and ₱0.1 million as of December 31, 2015 and 2014, 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 December 31, 2015 and September 30, 2015, the carrying amount of investment properties amounted to ₱311.1 million. (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 December 31, 2015 and September 30, 2015, trade and other receivables amounted to ₱ 1,502.0 million and ₱1,262.0 million, respectively (see Note 8). Allowance for impairment losses of trade and other receivables amounted to ₱80.7 million as at December 31, 2015 and September 30, 2015. (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 December 31, 2015 and September 30, 2015, the inventories carried at lower of cost or NRV amounted to ₱1.729 million and 1,500.8 million, respectively (see Note 9). Allowance for inventory losses and obsolescence amounted to ₱35.2 million and ₱24.1 million as at December 31, 2015 and September 30, 2015, 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.

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 December 31, 2015 and September 30, 2015, carrying amount of creditable withholding taxes amounted to ₱343.1 million and ₱339.4 million, respectively (see Note 10). Allowance for impairment losses amounted to ₱12.2 million as at December 31, 2015 and September 30, 2015 (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 December 31, 2015 and September 30, 2015 amounted to ₱4,021.1 million. (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 December 31, 2015 and September 30, 2015 amounted to ₱10,440.7 million and ₱10,352.3 million, respectively .

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 as at December 31, 2015 and September 30, 2015 (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	**December 31, 2015**	September 30, 2015
Property, plant and equipment	12	**₱14,461,849**	₱14,373,419
Goodwill	6	**1,236,052**	1,236,052
Investment in an associate	11	**650,083**	674,600

There are no indications of possible impairment on the foregoing nonfinancial assets. Accordingly, the Group has not recognized any impairment losses on nonfinancial assets as at December 31, 2015 and September 30, 2015.

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 December 31, 2015 and September 30, 2015, retirement assets amounted to ₱112.7 million and ₱113.9 million, respectively, while retirement liabilities amounted to ₱245.3 million and ₱ 232.9 million. (see Note 17). Net retirement benefits expense amounted to ₱13.0 million and ₱ nil as of December 31, 2015 and 2014, 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 ₱251.7 million and ₱188.3 million as at December 31, 2015 and September 30, 2015, respectively (see Note 26).

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 as at December 31, 2015 and September 30, 2015. The Group has provision for probable losses amounting to nil and ₱16.2 million as at December 31, 2015 and September 30, 2015, 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
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 December 31, 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 consolidated statement of comprehensive income include the results of operations of SCBI from the date of acquisition to September 30, 2015 and for the three months ended December 31, 2015 as follows:

	Dec 31, 2015	Sept 30, 2015
	(In thousands)	
Revenue	**480,382**	660,223
Cost of sales	**(492,037)**	(626,834)
Gross Income	**(11,655)**	33,389
General and Administrative expenses	**(23,836)**	(8,803)
Other income-net	**(447)**	9,751
Operating profit (loss)	**(35,938)**	34,337
Finance income	**(25,568)**	-
Income before income tax	**(61,506)**	34,337
Income tax expense	**(171)**	1,483
Net income	**(61,335)**	32,854

The net cash provided by (used in) operations of SCBI for the three months period ended December 31, 2015 and for five-month period ended September 30, 2015 included in the consolidated statement of cash flows, is as follows:

	Dec 31, 2015	Sept 30, 2015
	(In thousands)	
Net cash provided by (used in):		
Operating activities	**766,745**	1,042,527
Investing activities	**(2,727)**	(53,204)
Financing activities	**(552,079)**	(982,426)
Net increase in cash and cash in banks	**211,939**	6,897
Effect of exchange rate changes on cash and cash equivalents	**(1)**	
Cash and cash in banks at beginning of period	**8,157**	6,478
Cash and cash in banks at end of period	**220,096**	13,375

7. Cash and Cash in Banks

This account consists of:

	December 31, 2015	September 30, 2015
	(In thousands)	
Cash on hand	**1,785**	3,138
Cash in bank	**373,303**	199,277
	375,088	202,415

8. Trade and Other Receivables

This account consists of:

	December 31, 2015	September 30, 2015
	(In thousands)	
Trade	**1,256,145**	1,059,717
Non-Trade	**5,294**	
Due From		
Related Parties		32,382
Employees	**61,820**	54,638
Planters and Cane haulers	**174,520**	110,103
Advances to suppliers	**4,887**	21,960
Others	**79,733**	63,891
	1,582,399	1,342,691
Less: Allowancefor impairment	**80,679**	80,679
	1,501,720	1,262,012

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

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:

		December 31, 2015				
	Note	**Trade**	**Due from Planters and Cane Haulers**	**Due from Employees**	**Others**	**Total**
Balance at beginning of year		**₱39,246**	**₱16,428**	**₱733**	**₱24,272**	**₱80,079**
Provision	23	**–**	**–**	**–**	**–**	**–**
Reclassifications		**–**	**–**	**–**	**–**	**–**
Balance at end of year		**₱39,246**	**₱16,428**	**₱733**	**₱24,272**	**₱80,679**

		September 30, 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

9. Inventories

This account consists of:

	December 31, 2015	September 30, 2015
	(In thousands)	
At Cost		
Refined Sugar	**265,359**	319,745
Raw Sugar	**489,919**	304,778
Others	**3,612**	3,064
At NRV		
Alcohol	**169,591**	138,845
Molasses	**215,354**	161,533
Materials and supplies	**584,961**	572,861
	1,728,796	1,500,826

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

		December 31, 2015		
	Note	**Alcohol and Molasses**	**Materials and Supplies**	**Total**
Balance at beginning of year		**₱1,381**	**₱22,750**	**₱24,131**
Provisions	22	**5,458**	**5,632**	**11,090**
Balance at end of year		**₱6,839**	**₱28,381**	**₱35,221**

		September 30, 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

Provisions for inventory losses and obsolescence amounting to ₱11.1 million and ₱7.6 million, are presented under "Cost of goods sold" and "General and Administrative Expenses" for the period ended December 31, 2015 and 2014, respectively (see Notes 22 and 23).

10. Other Current Assets

This account consists of:

	December 31, 2015	September 30, 2015
	(In thousands)	
Input VAT	**268,410**	238,480
Creditable withholding taxes-net	**343,077**	339,398
Indemnification asset	**21,904**	21,904
Others	**286,260**	25,823
	919,651	625,605

Allowance for impairment loss on creditable withholding taxes amounted to ₱12.2 million as at December 31, 2015 and September 30, 2015.

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:

	December 31, 2015	September 30, 2015
	(In thousands)	
Acquistion Cost	**127,933**	127,933
Accumulated equity in net earnings		
Beginning of the period	**345,351**	297,431
Prior period adjustment		
Equity in net earnings (loss) for the period	**38,862**	134,424
	384,213	431,855
Less dividends received	**63,380**	86,505
End of period	**320,833**	345,351
Cummulative share in remeasurement of retirement assets	**(6,175)**	(6,175)
Share in revaluation increment	**207,492**	207,492
	650,083	674,601

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.

12. Property, Plant and Equipment

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

December 31, 2015

	Buildings and Improvement	Machineries and Equipment	Transportation Equipment	Depot and Storage Facilities	Office Furniture, Fixtures and Equipment	Construction in Progress	Total
		(In thousands)					
Cost							
Beginning Balance	**3,341,109**	**15,276,447**	**102,910**	**192,640**	**668,707**	**769,964**	**20,351,777**
Additions	**346**	**20,001**			**36**	**288,291**	**308,675**
Acquisition through business combination							**-**
Retirement/Disposals							**-**
Reclassification	**1,969**	**29,415**			**1,267**	**(32,651)**	**-**
Ending Balance	**3,343,424**	**15,325,864**	**102,910**	**192,640**	**670,010**	**1,025,604**	**20,660,452**
Accumulated Depreciation							
Beginning Balance	**1,380,340**	**7,872,589**	**50,534**	**52,199**	**643,844**	**-**	**9,999,506**
Acquisition through business combination							**-**
Depreciation	**35,451**	**177,259**	**2,370**		**5,165**		**220,245**
Retirement/Disposals							**-**
Ending Balance	**1,415,791**	**8,049,848**	**52,904**	**52,199**	**649,009**	**-**	**10,219,751**
Net Book Value	**1,927,633**	**7,276,015**	**50,006**	**140,441**	**21,002**	**1,025,604**	**10,440,701**

September 30, 2015

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

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.

Depreciation and amortization for the period ended December 31, 2015 and September 30, 2015 include amortization of software cost of ₱2.4 million and ₱2.6 million, respectively.

The amount of depreciation and amortization is allocated as follows:

	December 31, 2015	September 30, 2015
	(In thousands)	
Cost of Goods Sold	**205,795**	752,067
General and Administrative expenses	**14,450**	45,168
Ending balance at appraisal avalues	**220,245**	797,235

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:

	December 31, 2015	September 30, 2015
	(In thousands)	
Beginning Balance at appraisal	**3,776,195**	3,779,605
Acquisition through business combination	**244,953**	244,953
Reclassification		(5,023)
Additions		1,613
Ending balance at appraisal avalues	**4,021,148**	4,021,148
At Cost	**625,533**	625,533

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 December 31, 2015 and September 30, 2015, 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:

	December 31, 2015	September 30, 2015
	(In thousands)	
Beginning Balance at appraisal	214,509	205,986
Acquisition through business combination	96,601	96,601
Reclassification		5,023
Additions	82	3,500
Ending balance at appraisal avalues	311,192	311,110

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 ₱6.1 million and ₱6.3 million as of December 31, 2015 and September 30, 2015 respectively.

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 3.5% and 2.75% to 3.75% for the period ended December 31, 2015 and September 30, 2015, 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 ₱25.9 million and ₱29.2 million for the period ended December 31, 2015 and September 30, 2015, respectively (see Note 15).

15. Long-term Borrowings

Long-term borrowings consist of loans from:

	December 31, 2015	September 30, 2015
	(In thousands)	
Banco de Oro Unibank, Inc. (BDO)	3,445,780	3,445,785
BPI	1,227,000	1,227,079
Syndicated Loan with DBP		444,319
Rizal Commercial Banking Corp. (RCBC)	380,000	380,000
Syndicated Loan wih BPI	830	830
	5,053,610	5,498,013
Unamortized Transaction Cost	(16,553)	(17,379)
Current portion	(800,329)	(1,244,649)
	4,236,728	4,235,985

BDO Loan Facilities

	2015	2014
Loan I	**₱2,645,000**	₱2,645,000
Loan II	**800,000**	800,000
Others	**780**	785
	₱3,445,780	₱3,445,785

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
	₱1,227,000	₱1,227,079

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 December 31, 2015 and September 30, 2015, the carrying amount of the mortgaged properties amounted to ₱2,446.2 million and ₱2,668.3 million respectively.

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

	December 2015	September 2015
BPI	**₱415**	₱415
RCBC	**415**	415
	₱830	₱830

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.

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:

	December 31, 2015	September 30, 2015
	(In thousands)	
Less than one year	800,329	1,244,649
Between one and two years	379,640	379,640
Between two and five years	1,703,235	1,703,235
Over five years	2,170,406	2,170,489
	5,053,610	5,498,013

16. **Trade and Other Payables**

This account consists of:

	December 31, 2015	September 30, 2015
	(In thousands)	
Trade Suppliers	1,251,577	813,338
Payable to government agencies		
for taxes and contributions	50,919	66,249
Provisions for losses	16,227	16,227
Deferred Interest		68,407
Accruals for:		
Interest	29,108	35,741
Payroll and other employee benefits		10,836
Offseason milling cost	99,340	
Others	165,895	124,362
Customer's deposits	456,131	397,322
Due to:		
Cooperatives	1,622	
Planters	2,097	51,330
Haulers	33,505	
Cumulative Preferred Dividend	34,214	34,214
Deferred Sales	569	
Liens & Other Charges	2,256	
Others	192,520	328,649
	2,335,982	1,946,675

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:

	December 31, 2015	December 31, 2014
Current service cost	**₱13,003**	₱-
Adjustment due to curtailment	**-**	-
Net interest cost on net defined liability	**-**	-
	₱13,003	₱-

Retirement Liabilities

Components of net retirement liabilities of CADPI, CACI and SCBI as at December 31, 2015 and September 30, 2015 recognized in the consolidated statements of financial position are as follows:

	December 31, 2015	September 30, 2015
	(In thousands)	
Fair value of plan assets	**275,621**	275,621
Present value of defined benefit obligations	**(508,529)**	(508,529)
Current service cost	**(13,003)**	
Adjustment	**647**	
	(245,264)	(232,908)

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 December 31, 2015 and September 30, 2015. The changes in retirement assets recognized in the consolidated statements of financial position are as follows:

	December 31, 2015	September 30, 2015
	(In thousands)	
Balance as beginning of year	**113,932**	134,901
Remeasurent gain recognized at other comprehensive income	**-**	(43,642)
Reclassification of retirement liability	**(1,200)**	16,265
Retirement benefits expenses		6,408
	112,732	113,932

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:

	December 31, 2015		September 30, 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	**1,169,288,884**	**₱1,169,289**	1,168,976,425	₱1,168,976
Issuances	**-**	**-**	312,459	313
Balance at end of year	**1,169,288,884**	**1,169,289**	1,169,288,884	1,169,289
Treasury stock				
Balance at beginning of year	**(17,643,480)**	**(52,290)**	(259,424,189)	(768,860)
Issuances	**-**	**-**	241,780,709	716,570
Balance at end of year	**(17,643,480)**	**(52,290)**	(17,643,480)	(52,290)
Issued and outstanding	**1,151,645,404**	**₱1,116,999**	1,151,645,404	₱1,116,999

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
Balance at beginning of year		**₱1,573,993**	₱574,913
Issuance of treasury stock in excess of cost, net of transaction cost		**-**	963,561
Vested employee stock options			
CADPI		**4,674**	27,872
RHI	20	**816**	5,123
RBC		**384**	1,596
CACI		**238**	462
Excess of exercise price of stock options over par value		**-**	466

	Note	2015	2014
		₱1,580,105	₱1,573,993

b. Other equity reserves

Details of other equity reserves follow:

	Note	December 31 2015	September 30, 2015
Revaluation Increment on Land	12		
Balance at beginning of year		**₱2,476,063**	₱2,476,063
Effect of change in tax rate on beginning balance		**–**	–
Balance at end of year		**2,476,063**	2,476,063
Cumulative Remeasurement Loss on Net Retirement Assets and Liabilities	17		
Balance at beginning of year		**(154,073)**	(136,796)
Remeasurement gain (loss), net of tax		**-**	(17,277)
Balance at end of year		**(154,073)**	(154,073)
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
Effect of Change in Equity Interest in Subsidiaries	18		
Balance at beginning and end of year		**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
Cumulative Share in Remeasurement Loss on Retirement Asset of an Associate	11		
Balance at beginning of year		**(6,175)**	(6,175)
Share in remeasurement gain (loss) on retirement asset of an associate		**–**	–
Balance at end of year		**(6,175)**	(6,175)
		₱3,145,022	₱3,145,022

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.

c. 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.

d. Retained earnings

Retained earnings not available for dividend declaration

	Note	**December 31, 2015**	September 30, 2014
Treasury stock		**₱52,290**	₱52,290
Retirement assets, net of deferred tax	17	**79,752**	79,752
		₱132,042	₱132,042

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		

e. Share prices

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

QUARTER	HIGH	LOW
October 1, 2015 through December 31, 2015		
First	6.55	3.05
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

19. Related Party Transactions and Balances

In the normal course of business, the Group has transactions with related parties.

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.

a. 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.

b. 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	**December 31, 2015**	December 31, 2014
Salaries and wages and other short-term benefits		**₱32,272**	₱16,514
Employee stock option	20	**2,037**	-
		₱34,309	₱16,514

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.

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 ₱6.1 million and nil for the period ended December 31, 2015 and 2014, respectively, presented as part of “Salaries, wages and other employee benefits” account.

21. Revenue

The components of revenue are as follows:

	December 31, 2015	December 31, 2014
	(In thousands)	
Refined sugar	**544,778**	62,877
Raw sugar	**1,229,785**	774,987
Alcohol	**911,246**	338,750
Molasses	**11,380**	2,093
Power	**8,325**	
Others	**337**	
	2,705,851	1,178,707

22. Cost of Goods Sold

	December 31, 2015	December 31, 2014
	(In thousands)	
Purchased sugar and molasses	**1,629,639**	321,875
Purcahsed rectified spirits	**27,964**	40,034
Planters Subsidy (Hauling)	**423,468**	360,703
Direct Labor and Employee benefits	**90,014**	68,314
Depreciation	**205,795**	169,822
Materials and Consumables	**70,324**	36,818
Fuel and Oil	**102,231**	7,474
Energy Cost	**135,611**	63,128
Repairs and Maintenance	**99,531**	64,852
Taxes and Licenses	**33,096**	45,908
Rental	**46,785**	25,909
Communication, light and water	**23,821**	31,656
Outside Services	**20,361**	12,657
Insurance	**68,517**	12,635
Retirement benefit Cost	**600**	-
Others	**6,659**	1,430
Deferral/accrual	**(158,486)**	(196,017)
Net changes in inventory	**(250,641)**	(89,717)
Provision for Inventory Losses	**17,768**	20,716
	2,593,057	998,195

23. Operating Expenses

General and Administrative Expenses

The components of general and administrative expenses are as follows:

	December 31, 2015	December 31, 2014
	(In thousands)	
Salaries, wages and other employee benefits	**85,096**	40,818
Transfer Cost	**7,930**	4,067
Outside services	**38,556**	23,513
Taxes and licenses	**23,638**	8,347
Depreciation	**14,450**	8,645
Insurance	**12,159**	896
Rent	**2,999**	4,725
Repairs and maintenance	**3,802**	2,954
Utilities	**6,456**	2,486
Corporate social reponsibility	**2,311**	4,219
Research and development	**6,280**	3,228
Corporate, stockholders expenses	**1,582**	560
Professional fees	**5,824**	5,496
Selling Expenses	**5,977**	4,326
Others	**7,460**	8,016
	240,538	135,936

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 ₱6.0 million and ₱4.3 million for the period ending December 31, 2015 & 2014, respectively representing mandatory fees paid to various regulatory agencies prior to sale of sugar.

24. **Personnel Costs**

The amount of personnel costs are allocated as follows:

	December 31, 2015	December 31, 2014
	(In thousands)	
Cost of goods sold and services		
Direct labor	**90,014**	68,314
Operating expenses		
Salaries and employee benefits	**85,096**	40,818
	175,110	109,132

25. **Other Income (Charges)**

This account consists of:

	December 31, 2015	December 31, 2014
	(In thousands)	
Recovery performace bonds/insurance	**242**	1,691
Rentals	**6,132**	90
Sale of scrap	**14**	0
Sugar molasses handling fee	**1,795**	4,766
Storage fee and penalty	**3,620**	2,245
Others	**381**	249
	12,184	9,041

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:

	December 2015		September 2015	
	Net Deferred Tax Assets [1]	**Net Deferred Tax Liabilities [2]**	Net Deferred Tax Assets [1]	Net Deferred Tax Liabilities [2]
Deferred tax assets on:				
Customer's Deposit	**119,196**	**0**	119,196	0
Unamortized past service cost	**45,563**	**-**	47,136	-
Allowance for:				
Impairment losses of receivables	**25,540**	**-**	22,411	-
Inventory losses and obsolescence	**6,079**	**-**	5,951	-
Impairment losses on CWT	**3,663**	**-**	3,663	-
Various accruals	**21,617**	**2,697**	18,654	2,697
Excess MCIT	**6,119**	**5**	6,119	5
Net retirement benefit liabilities	**68,471**	**566**	64,571	566
Employee stock option	**15,417**	**2,387**	13,584	2,387
NOLCO	**103,041**	**7,580**	51,746	12,873
	414,706	**13,235**	353,031	18,528
Deferred tax liabilities on:				
Unamortized capitalized interest	**(97,050)**	**-**	(98,645)	-
Unamortized transaction cost	**(1,679)**	**(67)**	(1,775)	(67)
Revaluation increment on land	**(59,409)**	**(1,026,577)**	(59,409)	(1,026,577)
Share of noncontrolling interest on revaluation increment on land	**–**	**-**	–	-
Unrealized gain on fair value adjustment on investment property	**–**	**-**	–	-
Net retirement plan assets	**(4,879)**	**(29,300)**	(4,879)	(29,300)
	(163,017)	**(1,055,944)**	(164,708)	(1,055,944)
Net deferred tax assets (liabilities)	**251,689**	**(1,042,709)**	188,323	(1,037,416)

1) Recognized net deferred tax assets of CADPI, CACI, RBC ad RPBC

2) Recognized net deferred tax liabilities of RHI,NAVI & SCBI

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. 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.

c. 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:

	December 2015 3- months		December 2014 3- months	
	Basic	**Diluted**	Basic	Diluted
Net income (loss) attributable to the equity holders of the Parent Company	**(124,839)**	**(124,839)**	8,884	8,884
Outstanding common shares at beginning of year	**1,151,645**	**1,151,645**	909,552	909,552
Average incremental number of shares under ESOP	**–**	**34,784**	–	20,431
Divided by weighted average number of common shares outstanding	**1,151,645**	**1,186,429**	909,552	929,983
Earnings (loss) per share	**(0.11)**	**(0.11)**	0.01	0.01

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 entered into a Memorandum of Agreement and Milling Contract with Sagay Central Inc. (SCI) on April 17, 2011, wherein SCI agreed to accept 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 raw sugar is sold to SCI at a price computed based on the sugar bid 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:

		December 31, 2015		September 30, 2015	
		Total Volume *(In Thousands)*	**Estimated Market Value (in Php M)**	**Total Volume** *(In Thousands)*	**Estimated Market Value (in Php M)**
Raw Sugar	***(in Lkg *)***	**655**	**1,191**	497	770
Refined Sugar	***(in Lkg *)***	**342**	**727**	440	880
Molasses	***(in MT)***	**35**	**319**		
Total		**1,032**	**2,237**	937	1,650

** Equivalent to 50 kilograms 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 raw and refined sugar amounted to ₱929.3 million for 428,480 lkg bags, and ₱1,362.0 million for 679,258 lkg bags as at December 31, 2015 and September 30, 2015, respectively, and ₱56.67 million for 1,021,000 liters and ₱0.1 million for 500 liters for anhydrous alcohol as at December 31, 2015 and September 30, 2015, 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 ₱49.784 million and ₱30.63 million December 31, 2015 and 2014, 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).

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 ₱1,130.0 million and ₱2,386.0 million as at December 31, 2015 and September 30, 2015, 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 December 31, 2015 and September 30, 2015, 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.

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.

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 December 31, 2015 and September 30, 2015, 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.

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.

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:

	December 31, 2015	September 30, 2014
Total liabilities	**₱13,202,692**	₱12,021,855
Total equity	**8,396,177**	8,514,905
Total liabilities and equity	**₱21,598,869**	₱20,536,760
Debt-to-equity ratio	**1.57:1.00**	1.41:1.00

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 ton as at December 31, 2015 and September 30, 2015, 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 at December 31, 2015 and September 30, 2015, 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.

SUMMARY OF FINANCIAL RATIOS DISCUSSED IN THE MANAGEMENT DISCUSSION AND ANALYSIS

The following summarizes the financial soundness indicators discussed in the above section:

FINANCIAL RATIOS			**DEC. 31, 2015**	**SEPT. 30, 2015**
1	**Current**	*Current Assets/Current Liabilities*	**0.59**	0.55
2	**Debt to Equity**	*Total Liabilities/Total Equity*	**1.57**	1.41
3	**Asset to Equity**	*Total Assets/Total Equity*	**2.57**	2.54
4	**Debt Service Coverage**	*EBITDA divided by the sum of interest expense and principal term loan repayment*	**1.37**	3.67
5	**Return on Assets**	*Net Income/Total Assets*	**-0.58%**	0.09%
6	**Return on Equity**	*Net Income/Total Equity*	**-1.49%**	0.22%
7	**Book Value per share**	*Total Equity/Outstanding Shares*	**7.29**	7.40

ROXAS HOLDINGS, INC AND SUBSIDIARIES
AGING OF TRADE AND OTHER RECEIVABLES
DECEMBER 31, 2015

Amount in Php 000	**1 -30 days**	**31 -60 days**	**61 -90 days**	**91 days over**	**Total**
Trade	115,044	113,906	419,547	612,943	1,261,439
Advances to planters, truckers and contrac	497	61,262	40,451	72,310	174,520
Advances to laborer and employee	9,044	6,547	1,508	44,720	61,820
Others	14,161	9,977	7,068	48,526	79,733
Suppliers				4,887	4,887
Total	138,747	191,692	468,574	783,387	1,582,399
Allowance for impairment					(80,679)
Trade & other receivables, net					**1,501,720**

ROXAS HOLDINGS, INC.

December 16, 2015

STATEMENT OF MANAGEMENT RESPONSIBILITY
FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of Roxas Holdings, Inc. (the Company) is responsible for the preparation and fair presentation of the consolidated financial statements as at and for the years ended September 30, 2015 and 2014, including the additional components attached therein, in accordance with the Philippine Financial Reporting Standards indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

Reyes Tacandong & Co., the independent auditors appointed by the stockholders as at and for the year ended September 30, 2015 have examined the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in their reports to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such examination.

PEDRO E. ROXAS
Chairman of the Board/
Acting President and Chief Executive Officer

CELSO T. DIMARUCUT
Chief Financial Officer

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

SUBCRIBED AND SWORN to me this ____ day of DEC 16 2015 2015; affiants exhibited to me their respective Community Tax Certificates/ Passport data as follows:

Name:	CTC No/Passport No.	Date Issued	Place Issued
Pedro E. Roxas	EC2368933	10/10/2014	DFA Manila
Celso T. Dimarucut	N01-89-098727	07/16/2013	LTO Quezon City

Doc. No. 364
Page No. 74
Book No. 143
Series of 2015

ATTY. ROBERT N. LUZ
NOTARY PUBLIC
Until December 31, 2015
Appt. No. M-44, Makati City
IBP #0... Dec. 17, 2014-RSM
PTR #... Jan. 05, 2015-Makati
MCLE Compliance No. ...
Unit ... Bldg.
101 Urban Avenue, Brgy. Pio del Pilar
Makati City

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

P	W	-	1	5						

COMPANY NAME

ROXAS HOLDINGS, INC. AND SUBSIDIARIES

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
www.roxasholdings. com	(02) 810-8901	–

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
2,150	February 18	September 30

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Atty. Florencio M. Mamauag, Jr.	florencio.mamauag.rhi.com.ph	(02) 810-8901	–

CONTACT PERSON'S ADDRESS

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

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

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

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

26th Floor Citibank Tower
8741 Paseo de Roxas
Makati City 1226 Philippines
www.reyestacandong.com
Phone: +632 982 9100
Fax : +632 982 9111
BOA/PRC Accreditation No. 4782
November 12, 2012, valid until December 31, 2015
SEC Accreditation No. 0207-FR-1 (Group A)
September 6, 2013, valid until September 5, 2016

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Roxas Holdings, Inc.
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 risks 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

ROXAS HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

		September 30	
	Note	**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)

	Note	September 30 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 Attributable 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.

ROXAS HOLDINGS, INC. AND SUBSIDIARIES

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
COST 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		**₱18,553**	₱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.

ROXAS HOLDINGS, INC. AND SUBSIDIARIES

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				
Remeasurement 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.

ROXAS HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES 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
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**
Exercise of stock option	20	313	466	–	–	–	779	–	779
Issuances of treasury stock, 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 as at September 30, 2015		**₱1,169,289**	**₱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.

ROXAS HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

		Years Ended September 30		
	Note	**2015**	2014	2013
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 earningsi 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 of 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**	1,533,831	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)

	Note	2015	2014	2013
		Years Ended September 30		
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of subsidiaries, 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.

ROXAS HOLDINGS, INC. AND SUBSIDIARIES

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 operating mill and refinery facilities to manufacture sugar and allied products. The corporate life of the Parent Company has been extended for another 50 years from November 1, 1980.

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

As at September 30, 2013, the Parent Company is 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 ownership in the Parent Company to First Pacific Company, Ltd. (First Pacific), a Hong Kong-based company. RCI remains the major shareholder at 35% of the Parent Company while First Pacific has 34% equity ownership as it acquired additional shares of stock of the Parent Company from other stockholders as at September 30, 2014.

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 ownership interest of RCI in the Parent Company was further diluted from 35% to 28%. RCI has 31% ownership 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 equity holders, 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.

Approval of the Consolidated Financial Statements

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

Adoption of New and Revised PFRS

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, *Impairment 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, *Business Combination*.

- Amendments to PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables and Portfolio Exception* – The amendments 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. 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)[3]	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 products 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

(Forward)

	Percentage of Ownership			Nature of Business	Principal Place of Business
	2015	2014	2013		
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. On the same date, the BOD also approved the merger of CCSI, CFSI and JOMSI, which are non-operating subsidiaries and collectively referred to as Absorbed Companies, with CADPI. This decision was in line with the Group's move to rationalize its operations. On April 14, 2014, the SEC issued the Certificate of Filing of Articles and Plan of Merger approving the merger of CCSI, CFSI and JOMSI with CADPI, as the surviving entity. 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. 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 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.

Fair Value Measurement
The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active market for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting year.

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

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

- Note 5, "Significant Judgments, Accounting Estimates and Assumptions - 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"

Inventories
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.

Other Current Assets
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.

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

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

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

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

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

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

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

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 activities. Revenue is shown net of output VAT, returns and discounts.

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

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

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

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

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

a. It is probable that delivery will be made;
b. The item is on hand, identified and ready for delivery to the buyer at the time the sale is recognized;
c. The buyer specifically acknowledges the deferred delivery instructions; and
d. The usual payment terms apply.

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

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

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

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

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

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

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

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

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

Leases

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

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

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.

Employee Benefits

Short-term Employee Benefits

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

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

Retirement Benefits

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

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

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

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

The 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.

<u>Related Party Relationship and Transactions</u>

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.

<u>Foreign Currency-Denominated Transactions and Translations</u>

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

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

Income Taxes

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

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

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred tax liability is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss. However, deferred tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries 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 the Existence of Control 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.

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

- <u>Operating Lease - The Group as a Lessee</u>. 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).

- <u>Operating Lease - The Group as a Lessor.</u> 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 apparaisal report 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, the Group entered into a Sale and Purchase Agreement (SPA) for the acquisition of 93.68% equity interest in SCBI through RPBC, a wholly owned subsidiary, 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 the for transfer of assets of NPSC to SCBI, whether through merger with, acquisition of NPSC or direct asset sale, without additional consideration to the Group. Consequently, the Group effectively acquired the business of NSPC without holding equity interests 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 audit report date, 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
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
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

<u>BDO Loan Facilities</u>

	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 (see Note 26)**	**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 (see Note 26)	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
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 "Capital A" at ₱1.0 par value	**1,500,000,000**	**₱1,500,000**	1,500,000,000	₱1,500,000
Issued common shares "Class A"				
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

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. There were no reacquisitions and issuances of treasury shares in 2014.

b. 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

c. 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.

d. 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 diversified holding and investment corporation, while its subsidiary, CADP Group Corporation (CADPGC), emerged as a holding and investment company with specific focus on sugar milling and refining business. In 2008, RHI increased its equity ownership in CADPGC from 89.28% to 89.36% when CADPGC re-acquired portion of its shares of stock. On December 11, 2008, RHI acquired CADPGC's sugar-related operating subsidiaries (CADPI, CACI, CADPI, CFSI, CCSI, JOMSI, NAVI) and an associate (HPCo), including certain assets and liabilities of CADPGC. On January 23, 2009, RHI sold its investment in CADPGC to Roxas & Company, Inc. Effective June 29, 2009, upon approval by the SEC on June 23, 2009, CADPGC, as the surviving entity, merged with Roxas & Company, Inc. through a share swap, wherein 11.71 CADPGC's shares of stock were exchanged for every share of stock of Roxas & Company, Inc. On the same date, the SEC approved the change in corporate name of CADPGC to Roxas and Company, Inc. (RCI).

The acquisition by RHI on December 11, 2008 of the sugar-related operating subsidiaries and an associate from CADPGC was made for a total consideration of ₱3,838.0 million, which represents the cost of CADPGC's investments in subsidiaries and an associate amounting to ₱4,101.0 million, reduced by the net liabilities transferred by CADPGC amounting to ₱263.0 million. As a result, RHI increased its effective equity ownership in the sugar-related operating subsidiaries and recognized the effect of the change in equity ownership in subsidiaries and an associate in view of the reduction of non-controlling interests in subsidiaries of ₱44.6 million and presented as a separate component of the total consolidated equity.

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

e. 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	₱138,197	September 4, 2015	September 25, 2015
December 17, 2014	0.12	109,146	December 22, 2014	January 15, 2015
August 7, 2014	0.12	109,146	August 22, 2014	September 15, 2014
November 15, 2013	0.06	54,573	November 20, 2013	December 3, 2013
August 7, 2013	0.06	54,573	August 30, 2013	September 16, 2013
December 12, 2012	0.04	36,381	December 28, 2012	January 15, 2013

f. 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
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
Balance at beginning of year	**25,507,009**	24,621,494
Forfeited or expired	**(700,915)**	(1,761,214)
Exercised	**(312,459)**	–
Granted	–	2,646,729
Balance at end of year	**24,493,635**	25,507,009
Exercisable at end of year	**7,739,970**	5,101,390

The Group granted 28.0 million shares of common stock under the second ESOP. In 2015, 1.3 million of the granted shares were forfeited under the second ESOP.

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.

d. 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
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

(Forward)

	2014						
	RHI	CADPI	CACI	RBC	Others	Eliminations and Adjustments	Consolidated
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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November 12, 2012, valid until December 31, 2015
SEC Accreditation No. 0207-FR-1 (Group A)
September 6, 2013, valid until September 5, 2016

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

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

We have audited the consolidated financial statements of Roxas Holdings, Inc. and Subsidiaries (the Group) as at and for the year ended September 30, 2015, on which we have rendered our report dated December 16, 2015.

In compliance with the Securities Regulation Code Rule 68, as amended, we are stating that the Group has 2,140 stockholders owning 100 or more shares each.

REYES TACANDONG & CO.

PROTACIO T. TACANDONG
Partner
CPA Certificate No. 25006
Tax Identification No. 105-309-124-000
BOA Accreditation No. 4782; Valid until December 31, 2015
SEC Accreditation No. 1024-AR-1 Group A
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

ROXAS HOLDINGS, INC.

December 5, 2014

STATEMENT OF MANAGEMENT RESPONSIBILITY
FOR CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Pedro E. Roxas
(Chairman)

Renato C. Valencia
(President & CEO)

Armando B. Escobar
(Chief Financial Officer)

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

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

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

Doc No. 377
Page No. 77
Book No. 108
Series of 2015

ATTY. [illegible] LUZ
NOTARY PUBLIC
Until December 31, 2015
Appt. No. M-44, Makati City
IBP [illegible], Dec. 17, 2014-RSM
PTR [illegible], Jan. 05, [illegible] Makati
S.C. Roll No. [illegible]
MCLE Compliance No. [illegible]
Unit 301 3rd Flr. Campos Rueda Bldg.
101 Urban Avenue, Brgy. Pio del Pilar
Makati City

ROXAS HOLDINGS, INC.
AND SUBSIDIARIES

Certified Consolidated Financial Statement with

Supplementary Schedules for the

Securities and Exchange Commission

September 30, 2014

Roxas Holdings, Inc. and Subsidiaries

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

With independent auditor's report provided by

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

COVER SHEET

PW-15

SEC Registration Number

ROXAS HOLDINGS, INC. AND SUBSIDIARIES

(Company's Full Name)

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

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

Atty. Florencio M. Mamauag, Jr.

(Contact Person)

(02) 810-8901

(Company Telephone Number)

09 30

Month *Day*

(Fiscal Year)

AACFS

(Form Type)

02 19

Month *Day*

(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

CRMD

Dept. Requiring this Doc.

Not Applicable

Amended Articles Number/Section

Total Amount of Borrowings

2,176

Total No. of Stockholders

₱5,862.7 million

Domestic

–

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

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Phone: +632 982 9100
Fax : +632 982 9111
BOA/PRC Accreditation No. 4782
November 12, 2012, valid until December 31, 2015
SEC Accreditation No. 0207-FR-1 (Group A)
September 6, 2013, valid until September 5, 2016

INDEPENDENT AUDITOR'S REPORT

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

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matter

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

REYES TACANDONG & CO.

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

December 5, 2014
Makati City, Metro Manila

PHINMA Plaza
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Phone: +632 982 9100
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BOA/PRC Accreditation No. 4782
November 12, 2012, valid until December 31, 2015
SEC Accreditation No. 0207-FR-1 (Group A)
September 6, 2013, valid until September 5, 2016

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

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

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

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

REYES TACANDONG & CO.

PROTACIO T. TACANDONG
Partner
CPA Certificate No. 25006
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Valid until November 26, 2016
PTR No. 4232802
Issued January 2, 2014, Makati City

December 5, 2014
Makati City, Metro Manila

ROXAS HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	Note	2014	2013 (As Restated - Note 3)	2012 (As Restated - Note 3)
ASSETS				
Current Assets				
Cash and cash equivalents	6	**₱106,032**	₱165,953	₱164,408
Trade and other receivables	7	**1,105,317**	1,371,432	804,345
Inventories	8	**558,489**	1,550,894	779,336
Other current assets	9	**467,785**	468,308	427,277
Total Current Assets		**2,237,623**	3,556,587	2,175,366
Noncurrent Assets				
Investment in an associate	10	**626,681**	611,927	565,500
Property, plant and equipment:	11			
At cost		**7,617,490**	7,892,501	8,377,787
At appraised values		**3,779,605**	2,757,810	2,757,810
Investment properties	12	**205,986**	191,838	191,838
Retirement assets	16	**134,901**	–	88,753
Net deferred tax assets	25	**72,178**	94,092	162,358
Other noncurrent assets		**25,431**	16,476	29,133
Total Noncurrent Assets		**12,462,272**	11,564,644	12,173,179
		₱14,699,895	₱15,121,231	₱14,348,545

	Note	2014	2013 (As Restated - Note 3)	2012 (As Restated - Note 3)
LIABILITIES AND EQUITY				
Current Liabilities				
Short-term borrowings	13	**₱719,100**	₱1,020,527	₱1,148,000
Current portion of long-term borrowings	14	**42,241**	158,277	148,031
Trade and other payables	15	**626,593**	666,757	727,090
Income tax payable		**56,643**	51,513	–
Dividends payable		**–**	–	49,497
Total Current Liabilities		**1,444,577**	1,897,074	2,072,618

(Forward)

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

See accompanying Notes to Consolidated Financial Statements.

ROXAS HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

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

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

See accompanying Notes to Consolidated Financial Statements.

ROXAS HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

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

See accompanying Notes to Consolidated Financial Statements.

ROXAS HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

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

(Forward)

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

See accompanying Notes to Consolidated Financial Statements.

ROXAS HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013
(With Comparative Figures for 2012)
(Amounts in Thousands)

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

(Forward)

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

See accompanying Notes to Consolidated Financial Statements.

ROXAS HOLDINGS, INC. AND SUBSIDIARIES

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

1. **Corporate Information**

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

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

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

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

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

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

Approval of the Consolidated Financial Statements

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

2. Basis of Preparation and Statement of Compliance

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

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

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

3. Summary of Changes in Accounting Policies

Adoption of New and Revised PFRS

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

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

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

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

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

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

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

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

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

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

- Improvements to PFRS

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

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

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

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

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

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

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

New and Revised PFRS not yet Adopted

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

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

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

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

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

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

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

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

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

4. Summary of Significant Accounting and Financial Reporting Policies

Basis of Consolidation

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

Following is the list of the subsidiaries:

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

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

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

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

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

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

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

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

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

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

Business Combination and Goodwill

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

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

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

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

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

Goodwill. Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

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

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

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

<u>Financial Instruments</u>

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

VAT
Revenue, expenses and assets are recognized, net of the amount of VAT, except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of "Other current assets" and "Trade and other payables" accounts, respectively, in the consolidated statement of financial position.

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

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

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

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

Property, Plant and Equipment

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

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

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

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

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

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

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

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

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

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

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

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

Investment Properties

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

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

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

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

Fair Value Measurement
The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active market for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting year.

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

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

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

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

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

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

Impairment of Nonfinancial Assets

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

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

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization are adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Equity

Capital Stock and Additional Paid-in Capital

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>Costs and Expenses 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, professional fees, management fees and rental and utilities and general office expenses. These costs are expensed when incurred.

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

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

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

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

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

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

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

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

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

Borrowing Costs

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

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

Leases

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

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

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

Provisions and Contingencies

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

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

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

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

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

Foreign Currency-Denominated Transactions and Translations

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

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

Income Taxes

Current Tax

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

Deferred Tax

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

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

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

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

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

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

Related Party Relationships and Transactions

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

Earnings per Share

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

Segment Reporting

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

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

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

5. Significant Judgments, Accounting Estimates and Assumptions

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

Judgments, estimates and assumptions are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

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

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

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

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

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

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

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

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

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

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

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

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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6. Cash and Cash Equivalents

This account consists of:

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

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

Interest income earned arises from the following:

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

7. Trade and Other Receivables

This account consists of:

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

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

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

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

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

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

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

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

8. Inventories

This account consists of:

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

Cost of inventories valued at NRV is shown below:

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

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

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

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

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

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

9. Other Current Assets

This account consists of:

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

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

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

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

Others consist of prepaid insurance and various deposits.

10. Investment in an Associate

Movements of the investment in an associate follow:

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

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

Summarized financial information of HPCo are as follows:

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

11. Property, Plant and Equipment

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

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

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

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

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

The amount of depreciation and amortization is allocated as follows:

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

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

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

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

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

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

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

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

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

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

12. Investment Properties

Movements in investment properties follow:

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

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

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

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

13. Short-term Borrowings

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

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

14. Long-term Borrowings

Long-term borrowings consist of loans from:

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

<u>BDO Loan Facilities</u>

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

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

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

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

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

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

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

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

BPI Loan Facilities

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

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

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

RCBC Loan Facility

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

Syndicated Loans

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

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

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

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

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

Interest Expense

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

15. Trade and Other Payables

This account consists of:

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

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

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

16. Retirement Benefits

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

Retirement Benefits

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

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

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

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

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

Retirement Liabilities

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

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

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

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

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

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

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

Changes in the Present Value of the Defined Benefit Obligation

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

Changes in the Fair Value of Retirement Plan Assets

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

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

The categories of the plan assets are as follows:

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

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

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

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

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

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

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

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

17. Equity

a. Capital stock and treasury stock

Details of capital stock and treasury stock follow:

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

b. Track record of registration

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

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

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

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

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

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

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

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

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

d. Retained earnings

Retained earnings not available for dividend declaration

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

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

Dividend declaration

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

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

e. Share prices

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

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

18. Related Party Transactions

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

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

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

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

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

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

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

Key management personnel compensation:

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

19. Employee Stock Option Plans (ESOP)

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

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

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

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

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

First ESOP

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

Second ESOP

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

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

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

20. Revenue

The components of revenue are as follows:

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

21. Cost of Goods Sold

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

22. Operating Expenses

General and Administrative Expenses

The components of general and administrative expenses are as follows:

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

(Forward)

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

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

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

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

23. Personnel Costs

Personnel costs include:

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

The amount of personnel costs are allocated as follows:

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

24. Other Income (Charges)

This account consists of:

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

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

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

25. Income Taxes

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

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

(Forward)

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

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

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

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

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

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

NOLCO

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

MCIT

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

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

	2014	2013 (As restated - see Note 3)	2012 (As restated - see Note 3)
Income tax expense at statutory tax rate	**₱202,882**	₱220,596	₱165,521
Tax effects of:			
Deficit (excess) of income over expense subject to Income Tax Holiday (ITH)	**(100,575)**	₱11,699	₱36,323
Nontaxable income	**(33,992)**	–	–
Equity in net losses (earnings) of an associate	**(24,964)**	(20,291)	(14,734)
Nondeductible expenses	**5,761**	13,208	25,501
Interest subject to final tax and dividend income exempt from tax	**(136)**	(460)	(249)
Unallowable interest expense	**38**	167	191
Nondeductible unrealized gross profit on inventories	**–**	12,957	–
Adjustments resulting from:		–	–
Derecognition of DTA	**80,436**	–	–
Effect of change in tax rate	**(52,329)**	–	–
Effect of 10% statutory tax rate of RBC	**–**	–	–
Changes in unrecognized deferred tax assets	**2,484**	(6,890)	(367,896)
Application of MCIT	**–**	20,571	–
Expiration of excess MCIT credits	**–**	–	14
Others	**(7,514)**	(1,341)	8,038
Income tax expense (benefit)	**₱60,928**	₱250,216	(₱147,291)

The current income tax expense of the Group in 2014 and 2013 pertains to RCIT or MCIT, whichever is higher, except for RBC, which is entitled to income tax holiday (ITH).

d. Registration with the Board of Investments (BOI)

On October 24, 2008, the BOI approved the registration of RBC as a New Producer of Bioethanol (Anhydrous) and Potable (Hydrous) Ethanol on a Pioneer and Non-Pioneer Status under the Omnibus Investments Code of 1987 or Executive Order (E.O.) No. 226. Under the terms of its registration, RBC is required to achieve certain production and sales volume for both anhydrous and hydrous ethanol.

On October 22, 2014, the BOI approved the amendment of registration of RBC from a New Producer of Bioethanol (Anhydrous) under E.O. No. 226 to Renewable Energy (R.E.) Developer of Biomass Resources under the Republic Act (R.A.) No. 9513. The registration as a New Producer of Potable Ethanol is maintained under E.O. No. 226.

As a registered enterprise, RBC is entitled to certain tax incentives, which include, among others:

- ITH for the first seven years from the start of commercial operations;

- Duty-free importation of machinery, equipment and materials including control and communication equipment within the first ten years from the issuance of the BOI certificate of registration until October 23, 2018;

- Realty and other taxes on civil works, equipment, machinery, and other improvements actually and exclusively used for R.E. facilities shall not exceed one and a half (1.5%) of the original cost less accumulated depreciation or net book value;

- NOLCO during the first three years from the start of commercial operation shall be carried over as a deduction from gross income for the next seven consecutive taxable years immediately following the year of such loss;

- Corporate tax rate of 10% on its net taxable income after seven years of ITH;

- If the Company did not avail of the ITH, the plant, machinery and equipment that are reasonably needed and actually used for the exploration, development and utilization of R.E. resources may be depreciated using a rate not exceeding twice the rate which would have been used had the annual allowance been computed; and

- Zero percent value-added tax rate on its purchase of local supply of goods, properties and services needed for the development, construction and installation of its plant facilities.

As a registered enterprise for its hydrous ethanol, RBC is entitled to certain tax incentives, which include, among others:

- ITH of four years for its hydrous ethanol from January 2010 until 2014 with possible extension of ITH provided that the aggregated ITH availment does not exceed eight years, subject to certain conditions;

- For the first five years from the date of registration, additional deduction from taxable income of 50% of the wages arising from additional workers hired, provided that it is not simultaneously availed with the ITH;

- Tax credit for taxes and duties on raw materials and supplies and semi-manufactured products used in producing its export product;
- Exemption from wharfage dues, any export tax, duties imposts and fees for ten years from date of registration;
- May qualify to import capital equipment, spare parts and accessories at 0% duty from date of registration up to June 16, 2011 pursuant to E.O. No. 528 and its Implementing Rules and Regulations; and
- Tax-free and duty-free importation of equipment.

Under the terms of its registration, RBC is required to achieve certain production and sales volume for ethanol.

Total tax incentives availed of amounted to ₱100.6 million in 2014. No tax incentives were availed of in 2013.

26. Earnings per Share

Earnings per share is computed as follows:

	2014		2013		2012	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Net income attributable to the equity holders of the Parent Company (a)	₱611,937	₱611,937	₱485,337	₱485,337	₱700,402	₱700,402
Outstanding common shares at beginning of year	909,552	909,552	909,552	909,552	909,552	909,552
Average incremental number of shares under ESOP	–	20,431	–	5,471	–	–
Weighted average number of common shares outstanding (b)	909,552	929,983	909,552	915,023	909,552	909,552
Earnings per share (a/b)	₱0.67	₱0.66	₱0.53	₱0.53	₱0.77	₱0.77

27. Commitments and Contingencies

a. Milling Contracts

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

b. The Group has in its custody the following sugar owned by quedan holders:

	2014		2013	
	Total Volume *(in Thousands) (LKg*)*	**Estimated Market Value** *(Amounts in Millions)*	Total Volume *(in Thousands) (LKg*)*	Estimated Market Value *(Amounts in Millions)*
Raw sugar	**800**	**₱1,099**	675	₱887
Refined sugar	**–**	**–**	678	1,095
	800	**₱1,099**	1,353	₱1,982

*Equivalent to 50 kilogram bag unit.

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

c. Sales Contracts

CADPI entered into sales contracts with principal customers for the sale of raw and refined sugar and molasses. As at September 30, 2014 and 2013, CADPI has outstanding sales contracts for refined sugar with a total value of ₱1,295.3 million for 673,212 LKg. bags and ₱1,109.8 million for 597,974 LKg. Bags, respectively (₱149.3 million for 66,497 LKg. bags in 2012).

d. Leases

i. The Group as a lessee, has an existing one-year lease agreement with CADPRFI for the lease of office space, which is renewable annually at the option of the Parent Company, CADPI and CACI under such terms and conditions mutually acceptable to all parties. Related rent expense charged to operations amounted to ₱1.5 million and ₱4.0 million in 2014 and 2013.

ii. Lease of offsite warehouse for a period of one year renewable at the option of CADPI as lessee through notification in writing not later than 90 days prior to the expiration of the agreement. Related rent expense charged to operations amounted to ₱0.5 million and ₱0.3 million in 2014 and 2013, respectively (₱0.4 million in 2012).

iii. On December 22, 2010, the Group entered into a memorandum of agreement with a lessee for the lease of parcels of farmlands. The term of the agreement shall be for four years commencing in crop year 2011 to 2012 and ending in crop year 2014 to 2015. Unless sooner terminated by the parties, the lease agreement is renewable for another two crop years. As a consideration for the lease agreement, the lessee shall deliver to the Group its share in the sugar production in the amount of 18 Lkg of raw sugar per hectare of plantable area per annum. As of September 30, 2012, the Group received ₱1.0 million in cash as deposit on the lease agreement. Outstanding deposit from the lessee as at September 30, 2014 and 2013 amounted to ₱0.5 million (included under "Trade and other payables" in the statement of financial position).

Future minimum rent receivable under the foregoing lease agreements as at September 30, 2014 and 2013 are as follows:

	2014	2013
Within one year	**₱7,453**	₱7,453
After one year but not more than five years	**–**	7,453
	₱7,453	₱14,906

e. Hauling Services Contracts

Contract for hauling services for the transport of sugarcane from the plantation to the mill. Related hauling expense included in "Cost of goods sold" account under "Planters' subsidy and productivity assistance" amounted to ₱583.8 million and ₱578.0 million in 2014 and 2013, respectively (₱615.2 million in 2012) (see Note 21).

f. Emission Reduction Purchase Agreement

On January 14, 2009, RBC and World Bank signed a $3.2 million Emission Reduction Purchase Agreement (ERPA) for the purchase of carbon emission credits under the Clean Development Mechanism of the Kyoto Protocol. The ERPA will also avoid at least 50,000 metric tons of carbon dioxide each year and has a crediting period of 10 years starting 2010.

As part of the ERPA, part of the revenue for the purchase of the credits will be used to finance RBC's community development projects.

g. Contingencies

In the opinion of management and legal counsel, there are no other pending labor or other legal cases and claims in the ordinary course of business that will have a material effect on the financial position and performance of the Group except for the disputed claims for which the Group did not recognize additional provision for losses in 2014 and 2013.

Outstanding provision for losses for disputed claims and assessments amounted to ₱16.2 million and ₱48.4 million as at September 30, 2014 and 2013 presented under "Trade and other payables" account (see Note 15).

h. Unused Credit Lines

As at September 30, 2014 and 2013, the Group has unused lines of credit with local banks amounting to ₱3,089.5 million and ₱2,922.5 million, respectively.

28. **Financial Instruments**

Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise of cash in banks and cash equivalents, trade and other receivables, and trade and other payables, which arise directly from its operations, and short and long-term borrowings. The Group has other financial instruments such as restricted cash and dividends payable.

The main risks arising from the Group's financial instruments are liquidity risk, credit risk and interest rate risk. The Group monitors the market price risk arising from all financial instruments. The Group's operations are also exposed to commodity price risk, particularly from sugar prices. Risk management is carried out by senior management under the guidance and direction of the BOD of the Parent Company.

Liquidity risk

Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet maturing obligations.

The Group's objective is to maintain sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the business, the Group aims to maintain flexibility in funding by keeping track of daily cash flows and maintaining committed credit lines available.

The tables below summarize the maturity profile of the Group's financial liabilities based on contractual undiscounted payments and the related financial assets used for liquidity management.

	2014						
	On Demand	Less than One Year	Over One to Two Years	Over Two to Four Years	Over Four to Five Years	Over Five Years	Total
Short-term borrowings*	₱–	₱722,694	₱–	₱–	₱–	₱–	₱722,694
Trade and other payables**	494,422	83,527	–	–	–	–	577,949
Current portion of long-term borrowings*	–	261,667	–	–	–	–	261,667
Noncurrent portion of long-term borrowings	–	–	1,367,216	789,495	1,318,734	2,650,581	6,126,026
	₱494,422	₱1,067,888	₱1,367,216	₱789,495	₱1,318,734	₱2,650,581	₱7,688,336
Cash in banks and cash equivalents	₱102,077	₱–	₱–	₱–	₱–	₱–	₱102,077
Trade receivables***	623,502	320,787	–	–	–	–	944,289
Due from related parties	58,803	12,502	142	–	–	–	71,447
Due from employees***	22,730	9,147	–	–	–	–	31,877
Other receivables***	4,083	7,738	–	–	–	–	11,821
	₱811,195	₱350,174	₱141	₱–	₱–	₱–	₱1,161,511

* *Including expected future interest payments for short-term and long-term borrowings amounting to ₱3.6 million and ₱1,225.5 million, respectively.*

** *Excludes payables to government agencies amounting to ₱48.6 million.*

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

	2013						
	On Demand	Less than One Year	Over One to Two Years	Over Two to Four Years	Over Four to Five Years	Over Five Years	Total
Short-term borrowings*	₱43,081	₱980,498	₱–	₱–	₱–	₱–	₱1,023,579
Trade and other payables**	489,897	–	–	–	–	–	489,897
Current portion of long-term borrowings*	–	497,257	–	–	–	–	497,257
Noncurrent portion of long-term borrowings	–	–	1,588,184	3,657,546	1,820,003	388,013	7,453,746
	₱532,978	₱1,477,755	₱1,588,184	₱3,657,546	₱1,820,003	₱388,013	₱9,464,479
Cash in banks and cash equivalents	₱164,798	₱–	₱–	₱–	₱–	₱–	₱164,798
Trade receivables***	105,869	1,063,327	12,632	–	–	–	1,181,828
Due from related parties	71,090	3,658	9,461	–	–	–	84,209
Due from employees***	18,521	9,059	4,773	–	–	–	32,353
Other receivables***	50,029	3,883	908	–	–	–	54,820
Restricted cash	–	32,839	–	–	–	–	32,839
	₱410,307	₱1,112,766	₱27,774	₱–	₱–	₱–	₱1,550,847

* *Including expected future interest payments for short-term and long-term borrowings amounting to ₱3.1 million and ₱1,115.5 million, respectively.*

** *Excludes payables to government agencies and provision for loss amounting to ₱128.4 million and ₱48.4 million, respectively.*

****Net of related allowances for impairment losses totaling ₱119.2 million.*

Credit risk

Credit risk is the risk that the Group will incur financial loss through default by counterparties in performing their obligations.

Concentration of credit risk with respect to trade receivables is limited due to the large number of customers comprising the Group's customer base and their dispersion across different geographic areas. It has policies in place to ensure that sales of goods are made to customers with an appropriate credit history.

The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty credit limits are established by the use of a credit risk classification system, which assigns each counterparty a qualitative risk rating. Risk ratings are subject to regular revision. The credit quality review process allows the Group to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The table below shows the maximum exposure to credit risk of the Group shown at gross before the effect of mitigation through collateral agreements.

	2014	2013
Cash in banks and cash equivalents	**₱102,077**	₱164,798
Trade receivables*	**944,289**	1,181,828
Due from related parties	**71,447**	84,209
Due from employees*	**31,877**	32,353
Other receivables*	**14,509**	54,820
Restricted cash	**–**	32,839
	₱1,164,199	₱1,550,847

** Net of allowance for impairment losses totaling ₱79.3 million in 2014 and ₱119.2 million in 2013.*

Collaterals and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters. As at September 30, 2014 and 2013, the Group did not hold collateral from any counterparty.

Credit quality per class of financial assets

The credit quality of receivables is managed by the Group through its Marketing Department. High grade accounts are those receivables from counterparties with whom collections are made without much collection effort. Cash in banks, cash equivalents and restricted cash are considered high grade since these are deposited in reputable banks with good credit rating and low probability of insolvency. Standard grade accounts consist of receivables from its distributors, related parties and employees with good financial condition and with relatively low defaults. Substandard grade accounts, on the other hand, are receivables from other counterparties with history of defaulted payments.

The tables below show the credit quality of financial assets which are neither past due nor impaired and an aging analysis of past due but not impaired accounts.

	2014							
	Neither past due nor impaired			Past due but not impaired				
	High Grade	Standard Grade	Substandard Grade	Over 30 Days	Over 90 Days	Over 180 Days	Impaired	Total
Cash in banks and cash equivalents	₱102,077	₱–	₱–	₱–	₱–	₱–	₱–	₱102,077
Trade receivables	617,645	5,857	–	101,358	53,039	166,390	39,176	983,465
Due from related parties	–	58,803	–	6,488	6,014	142	–	71,447
Due from planters and cane haulers	–	38,095	–	–	–	–	12,547	50,642
Due from employees	–	22,730	–	70	565	8,512	733	32,610
Other receivables*	–	4,083	–	44	1,360	6,334	10,050	21,871
Total	₱719,722	₱129,568	₱–	₱107,960	₱60,978	₱181,378	₱62,506	₱1,262,112

* *Excludes advances for raw sugar purchases amounting to ₱24.3 million.*

	2013							
	Neither past due nor impaired			Past due but not impaired				
	High Grade	Standard Grade	Substandard Grade	Over 30 Days	Over 90 Days	Over 180 Days	Impaired	Total
Cash in banks and cash equivalents	₱164,798	₱–	₱–	₱–	₱–	₱–	₱–	₱164,798
Trade receivables	636,848	38,324	–	417,392	54,744	34,520	92,556	1,274,384
Due from related parties	–	53,584	–	1,282	747	28,596	–	84,209
Due from planters and cane haulers	–	31,825	–	–	–	–	14,130	45,955
Due from employees	–	26,537	–	119	71	5,626	1,342	33,695
Other receivables*	–	13,931	–	235	–	8,815	11,167	34,148
Restricted cash	32,839	–	–	–	–	–	–	32,839
Total	₱834,485	₱164,201	₱–	₱419,028	₱55,562	₱77,557	₱119,195	₱1,670,028

* *Excludes advances for raw sugar purchases amounting to ₱18.2 million.*

Impairment assessment
The main consideration for impairment assessment includes whether there are known difficulties in the cash flow of the counterparties. The Group assesses impairment in two ways: individually and collectively.

First, the Group determines allowance for each significant receivable on an individual basis. Among the items that the Group considers in assessing impairment is the inability to collect from the counterparty based on the contractual terms of the receivables. Receivables included in the specific assessment are the accounts that have been endorsed to the legal department, non-moving accounts receivable and other accounts of defaulted counterparties.

For collective assessment, allowances are assessed for receivables that are not individually significant and for individually significant receivables where there is no objective evidence of individual impairment. Impairment losses are estimated by taking into consideration the age of the receivables, past collection experience and other factors that may affect their collectibility.

The Group has recognized an impairment loss on its receivables using specific assessment amounting to nil and ₱6.2 million in 2014 and 2013, respectively (₱100.3 million in 2012).

Commodity price risk
The Group is exposed to commodity price risk from conventional physical sales and purchase of sugar managed through volume, timing and relationship strategies. The Group does not enter into commodity derivatives.

The Group's sales commitments are contracted at fixed prices, and thus have no impact on the consolidated cash flows in the next 12 months.

Interest rate risk
The primary source of the Group's interest rate risk relates to interest-bearing financial liabilities. The interest rates on these liabilities are disclosed in Notes 13 and 14.

The loans amounting to ₱110.0 million and ₱6,834.8 million as at September 30, 2014 and 2013, respectively, bear floating interest and expose the Group to interest rate risk.

The following table demonstrates the sensitivity analysis to a reasonably possible change in interest rates, with all other variables held constant, of the Group's income before income tax (through the impact of floating rate borrowings) and equity in 2014 and 2013. The estimates are based on the outstanding interest bearing liabilities of the Group with floating interest rate as at September 30, 2014 and 2013.

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

	2013	
Increase (Decrease)	Effect on Income before Tax	Effect on Equity
0.5%	(₱34,174)	(₱23,922)
(0.5%)	34,174	23,922

Interest on financial liabilities with fixed interest rate is fixed until the maturity of the instrument (see Notes 13 and 14).

The other financial instruments of the Group that are not included in the foregoing tables are noninterest-bearing and are therefore not subject to interest rate risk.

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains strong credit and healthy capital ratios in order to support its business and maximize shareholder value.

The Group's dividend declaration is dependent on availability of earnings and operating requirements. The Group manages its capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for the years ended September 30, 2014 and 2013.

Management considers the total consolidated equity reflected in the consolidated statement of financial position as its capital. The Group monitors its use of capital using leverage ratios, specifically, debt-to-equity ratio. It also monitors its DSCR to ensure that there would be sufficient amount of cash flow available to meet annual interest and principal payments on debt.

The Group is required to maintain a maximum debt-to-equity ratio of 2.33:1 and minimum DSCR of 1.25:1 by its creditor banks. The Group has the following debt-to-equity ratio:

	2014	2013 (As restated - see Note 3)
Total liabilities	**₱7,772,044**	₱9,560,349
Total equity	**6,927,851**	5,560,882
Total liabilities and equity	**₱14,699,895**	₱15,121,231
Debt-to-equity ratio	**1.12:1.00**	1.72:1.00

Fair Values

The following is a comparison by category of carrying amounts and fair values of the Group's financial instruments that are reflected in the consolidated financial statements:

	2014		2013	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Cash on hand	**₱3,955**	**₱3,955**	₱1,155	₱1,155
Loans and receivables:				
Cash in banks and cash equivalents	**102,077**	**102,077**	164,798	164,798
Trade receivables*	**944,289**	**944,289**	1,181,828	1,181,828
Due from related parties	**71,447**	**71,447**	84,209	84,209
Due from employees*	**31,877**	**31,877**	32,353	32,353
Restricted cash	**–**	**–**	32,839	32,839
Others receivables*	**14,509**	**14,509**	54,820	54,820
	₱1,168,154	**₱1,168,154**	₱1,552,002	1,552,002
Financial Liabilities				
Other financial liabilities:				
Short-term borrowings	**₱719,100**	**₱719,100**	₱1,020,527	₱1,020,527
Trade and other payables**	**577,949**	**577,949**	489,897	489,897
Long-term borrowings	**5,143,592**	**5,323,246**	6,835,522	7,197,560
	₱6,440,641	**₱6,620,295**	₱8,345,946	₱8,707,984

* *Net of related allowance for impairment losses totaling ₱79.3 million in 2014 and ₱119.2 million in 2013.*

** *Excludes payables to government agencies amounting to ₱48.6 million.*

The following methods and assumptions are used to estimate the fair value of each class of financial instruments.

Cash and cash equivalents, trade receivables, due to and from related parties, due from employees, dividends receivable, other receivables, trade and other payables, short-term borrowings, current portion of long-term borrowings and dividends payable. The carrying amounts of these instruments approximate fair values due to their short-term maturities.

Long-term borrowings. Fair values of long-term borrowings as at September 30, 2014 and 2013 were determined based on Level 2 in which the inputs are based on the discounted interest rate of the prevailing comparable instrument in the market.

29. Segment Reporting

The Group's identified operating segments, which are consistent with the segments reported to the senior management, are as follows:

a. RHI is a diversified holding and investment corporation with specific focus on sugar milling and refining business.

b. CADPI is engaged in the business of producing, marketing and selling raw and refined sugar, molasses and other related products or by-products and offers tolling services to traders and planters. It has a raw sugar milling and refinery plant located in Nasugbu, Batangas with daily cane capacity of 11,000 metric tons as at September 30, 2014 and 11,000 metric tons as at September 30, 2013 (18,000 metric tons as at September 30, 2012). CADPI's raw sugar milling is involved in the extraction of juices from the canes to form sweet granular sugar which is light brown to yellowish in color. Canes are sourced from both district and non-district planters and are milled by CADPI under a milling contract, which provides for a 65% and 35% sharing between the planters and CADPI (see Note 27). The refinery operations, on the other hand, involve the processing of raw sugar (mill share and purchased) into refined sugar, a lustrous white-colored sugar. To ensure maximum utilization of the refinery, CADPI also offers tolling services, which converts raw sugar owned by planters and traders into refined sugar in consideration for a tolling fee.

c. CACI produces raw sugar and molasses and trades the same on wholesale/retail basis. It also sells refined sugar upon tolling its raw sugar with other sugar mills. Its sugar milling plant, which has a similar process with CADPI and has a daily cane capacity of 13,690 metric tons at September 30, 2014 and 13,000 metric tons as September 30, 2013 (13,000 metric tons as at September 30, 2012), is located in La Carlota, Negros Occidental.

d. RBC was established to engage in the business of producing, marketing and selling of bio-ethanol fuel, both hydrous and anhydrous products from sugarcane and related raw materials. Its plant facility is located in La Carlota, Negros Occidental.

e. Other segments of the Group, which are not reported separately, pertain mainly to consultancy business, dealer and trader of agricultural products and subsidiaries with no operations yet.

The Group has only one geographical segment as all of its assets are located in the Philippines. The Group operates and derives principally its revenue from domestic operations. Thus, geographical business information is not required.

The Group's senior management regularly reviews the operating results of the business units to make decisions on resource allocation and assess performance. Segment revenue and segment expenses are measured in accordance with PFRS. The presentation and classification of segment revenues and segment expenses are consistent with the consolidated statement of income. Financing costs (including interest expense) and income taxes are managed on per company basis and are not allocated to operating segments.

Further, the measurement of the segments is the same as those described in the summary of significant accounting and financial reporting policies, except for RHI investment properties, which are carried at fair value in the separate financial statements. RHI's investment properties, which are being leased out to its subsidiary, are reclassified to property, plant and equipment in the consolidated financial statements.

a. Segment revenue and expenses

The Group's main revenue stream comes from the sale of sugar and molasses. Its customers consist largely of sugar traders, wholesalers and beverage companies, which are situated in various parts of the Philippines, with concentration in the Visayas and Metro Manila.

As of September 30, 2014 and 2013, revenues from two major customers of CACI amounted to ₱774.5 million or 30% of the Group's revenues and ₱546.5 million or 9.0% of Group's revenue (₱731.0 million or 9.5% of the Group's revenues in 2012). CADPI earned revenues of ₱997.9 million or 12% of the Group's revenues in 2014 and ₱1,720.3 million or 28.4% of the

Group's revenues in 2013 (₱1,352.7 million or 17.6% of the Group's revenues in 2012) from its two major customers.

b. Segment assets and liabilities

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories, prepayments and property, plant and equipment, net of related accumulated depreciation. Segment liabilities include all operating liabilities and consist principally of trade payables, accruals and customers' deposits. Segments assets and liabilities do not include deferred income taxes.

c. Inter-segment transfers

Segment revenue, expenses and results include transfers between business segments. Such transfers are accounted for at competitive market prices charged to unrelated customers or by suppliers for similar goods or services.

The following tables present information about the Group's operating segments:

	2014						
	RHI	CADPI	CACI	RBC	Others	Eliminations and Adjustments	Consolidated
Revenue							
External customers:							
Refined sugar	₱–	₱3,104,210	₱–	₱514,382	₱–	₱–	₱3,618,592
Raw sugar	–	89	2,336,219	–	–	–	2,336,308
Tolling fees	–	66,959	–	–	–	–	66,959
Molasses	–	313,975	62,311	–	–	–	376,286
Alcohol	–	–	–	1,918,573	–	–	1,918,573
	–	3,485,233	2,398,530	2,432,954	–	–	8,316,718
Inter-segment	–	668,835	1,027,452	–	–	(1,696,287)	–
Costs and expenses	(25,227)	(4,105,802)	(3,203,204)	(2,117,875)	(2,745)	1,816,222	(7,638,631)
Interest income	17	247	797	56	6	–	1,123
Interest expense	(30,746)	(179,462)	(86,770)	(17,565)	–	–	(314,543)
Others	1,370,312	109,117	40,915	979	24,168	(1,317,098)	228,393
Income (loss) before income tax	1,314,356	(21,832)	177,720	298,549	21,429	(1,197,163)	593,060
Income tax benefit (expense)	(288,546)	5,172	(64,267)	(5,581)	(6,430)	298,724	(60,928)
Segment profit (loss)	1,025,810	(16,660)	113,453	292,968	14,999	(898,439)	532,132
Equity in net earnings of an associate	–	–	–	–	–	83,214	83,214
Consolidated net income (loss)	₱1,025,810	(₱16,660)	₱113,453	₱292,968	₱14,999	(₱815,225)	₱615,346
Other Information							
Major costs and expenses:							
Depreciation and amortization	₱5,426	₱338,733	₱245,193	₱91,469	₱14	₱–	₱680,835
Fuel and oil	–	218,934	11,056	54,286	–	–	284,276
Materials and consumables	193	152,734	79,040	2,327	34	–	234,328
Repairs and maintenance	56	71,282	140,934	14,425	–	–	226,697
Additions to noncurrent assets:							
Investment in an associate	259,907	–	–	–	–	366,774	626,681
Property, plant and equipment	–	181,412	170,220	51,630	–	–	403,262
Assets and Liabilities							
Current assets	159,960	1,387,677	803,958	784,317	4,340	(902,629)	2,237,623
Noncurrent assets	7,644,470	4,540,380	3,440,483	1,514,721	159,568	(4,837,350)	12,462,272
Total assets	₱7,804,430	₱5,928,057	₱4,244,441	₱2,299,038	₱163,908	(5,739,979)	₱14,699,895
Current liabilities	₱58,069	₱492,126	₱718,833	₱1,073,018	₱19,003	(₱916,472)	₱1,444,577
Noncurrent liabilities	1,579,729	3,232,102	1,453,643	25,599	44,892	(8,498)	6,327,467
Total liabilities	₱1,637,798	₱3,724,228	₱2,172,476	₱1,098,617	₱63,895	(₱924,970)	₱7,772,044

	2013 (As restated - see Note 3)						
	RHI	CADPI	CACI	RBC	Others	Eliminations and Adjustments	Consolidated
Revenue							
External customers:							
Refined sugar	₱–	₱3,728,423	₱–	₱–	₱–	₱–	₱3,728,423
Raw sugar	–	50,537	1,526,780	–	–	–	1,577,317
Tolling fees	–	19,246	–	–	–	–	19,246
Molasses	–	200,860	162,903	–	–	–	363,763
Alcohol	–	–	–	375,104	–	–	375,104
Others	–	–	–	–	875	–	875
	–	3,999,066	1,689,683	375,104	875	–	6,064,728
Inter-segment	32,001	190,429	1,166,762	237,965	–	(1,627,157)	–
Costs and expenses	(59,049)	(3,761,508)	(2,304,542)	(657,857)	(5,279)	1,704,906	(5,083,329)
Inventory losses	–	–	(7,900)	(4,214)	(1,430)	–	(13,544)
Interest income	120	609	1,536	58	63	–	2,386
Interest expense	(32,733)	(215,390)	(90,209)	(52,330)	–	–	(390,662)
Others	120,681	22,025	20,735	62,751	5,690	(143,775)	88,107
Income (loss) before income tax	61,020	235,231	476,065	(101,274)	(81)	(66,026)	667,686
Income tax expense	(12,342)	(83,419)	(153,613)	–	(843)	–	(250,217)
Segment profit (loss)	48,678	151,812	322,452	(38,523)	(924)	(66,026)	417,469
Equity in net earnings of an associate	–	–	–	–	–	68,315	68,315
Consolidated net income (loss)	₱48,678	₱151,812	₱322,452	(₱38,523)	(₱924)	₱2,289	₱485,784

	2013 (As restated - see Note 3)						
	RHI	CADPI	CACI	RBC	Others	Eliminations And Adjustments	Consolidated
Other Information							
Major costs and expenses:							
Depreciation and amortization	₱5,780	₱337,194	₱250,067	₱84,581	₱2,027	₱–	₱679,649
Fuel and oil	11	190,460	16,704	83,145	–	–	290,320
Materials and consumables	1,009	125,625	122,672	10,034	–	–	259,340
Repairs and maintenance	–	84,267	76,564	3,683	–	–	164,514
Additions to noncurrent assets:							
Investment in an associate	4,371,091	1,040,165	–	–	–	(4,799,329)	611,927
Property, plant and equipment	2,232	98,786	77,584	40,428	–	–	219,030
Assets and Liabilities							
Current assets	198,353	2,963,269	958,355	812,281	71,637	(1,447,308)	3,556,587
Noncurrent assets	6,563,643	4,667,615	3,437,313	1,535,808	195,170	(4,834,905)	11,564,644
Total assets	₱6,761,996	₱7,630,884	₱4,395,668	₱2,348,089	₱266,807	(₱6,282,213)	₱15,121,231
Current liabilities	₱310,591	₱1,319,285	₱917,655	₱541,898	₱197,123	(₱1,389,478)	₱1,897,074
Noncurrent liabilities	1,264,203	3,940,878	1,469,000	948,365	48,157	(7,328)	7,663,275
Total liabilities	₱1,574,794	₱5,260,163	₱2,386,655	₱1,490,263	₱245,280	(₱1,396,806)	₱9,560,349

30. Events After Reporting Year

On December 5, 2014, the BOD of the Parent Company approved the declaration and payment of cash dividend of ₱0.12 a share to all stockholders of record as at December 22, 2014. The dividend is payable on January 15, 2015.

On October 6, 2014, the BOD of HPCo approved the declaration and payment of cash dividend of ₱1.41 a share to all stockholders of record as of that date out of HPCo's unrestricted retained earnings. Dividends attributable to the Parent Company amounted to ₱40.3 million, which were paid on November 13, 2014.