THE PHILIPPINE STOCK EXCHANGE, INC. Corporate Governance Guidelines for Listed Companies

Disclosure Template

	COMPLY	EXPLAIN
Guideline No. 1: DEVELOPS AND EXECUTES A SOUND BUSINESS STRATEGY		
1.1 Have a clearly defined vision, mission and core values.	Yes	Company website; Annual Report to Stockholders; Revised Manual on Corporate Governance; Business Conduct Policy Handbook.
1.2 Have a well developed business strategy.	Yes	SEC Form 17-A: Annual Report; Revised Manual on Corporate Governance. *Medium Term Plan per business unit.*
1.3 Have a strategy execution process that facilitates effective performance management, and is attuned to the company's business environment, management style and culture.	Yes	SEC Form 17-A: Annual Report; Revised Manual on Corporate Governance. *Annual Business Plan with Key Performance Indicators.*
1.4 Have its board continually engaged in discussions of strategic business issues.	Yes	Revised Manual on Corporate Governance; Minutes of Board Meetings.
Guideline No. 2: ESTABLISHES A WELL-STRUCTURED AND FUNCTIONING BOARD		
2.1. Have a board composed of directors of proven competence and integrity.	Yes	Amended By-Laws; Revised Manual on Corporate Governance.
2.2. Be lead by a chairman who shall ensure that the board functions in an effective and collegial manner.	Yes	Amended By-Laws; Revised Manual on Corporate Governance.
2.3 Have at least three (3) or thirty percent (30%) of its directors as independent directors.	No	RCI has 2 independent directors who comprise more than 20% of the 7 directors. This complies with the requirements of Section 38 of the Securities Regulation Code and RCI's Revised Manual on Corporate Governance.
2.4 Have in place written manuals, guidelines and issuances that outline procedures and processes.	Yes	Amended By-Laws; CADP Code of Business Conduct Policy; CADP Safety Code; Revised Manual on Corporate Governance; Risk Management Policy; Roxaco Employee Handbook.
2.5 Have Audit, Risk, Governance and Nomination & Election Committees of the board.	Yes	Revised Manual on Corporate Governance.

2.6	Have its Chairman and CEO positions held separately by individuals who are not related to each other.	No	The Chairman and CEO positions are held by the same person. This situation, which is temporary, was a result of the resignation of the former CEO sometime in August 2009. A search for a qualified person to occupy the CEO position is on-going.
2.7	Have a director nomination and election process that ensures that all shareholders are given the opportunity to nominate and elect directors individually based on the number of shares voted.	Yes	Amended By-Laws; Minutes of Annual Stockholder's Meeting; Revised Manual on Corporate Governance.
2.8	Have in place a formal board and director development program.	No	RCI does not have a formal board and director development program. However, its directors and officers attend seminars on good corporate governance, as required under SEC Memorandum Circular No. 20, Series of 2013.
2.9	Have a corporate secretary.	Yes	Amended By-Laws; Revised Manual on Corporate Governance.
2.10	Have no shareholder agreements, by-laws provisions, or other arrangements that constrains the directors' ability to vote independently.	Yes	Amended By-Laws; Revised Manual on Corporate Governance.
Guideline No. 3: MAINTAINS A ROBUST INTERNAL AUDIT AND CONTROL SYSTEM			
3.1	Establish the internal audit function as a separate unit in the company which would be overseen at the Board level.	Yes	Audit Committee Charter; Revised Manual on Corporate Governance.
3.2	Have a comprehensive enterprise-wide compliance program that is annually reviewed.	Yes	Audit Committee Charter; Revised Manual on Corporate Governance. *Finance Policies and Procedure.*
3.3	Institutionalize quality service programs for the internal audit function.	Yes	Audit Committee Charter; Revised Manual on Corporate Governance.
3.4	Have in place a mechanism that allows employees, suppliers and other stakeholders to raise valid issues.	Yes	Revised Manual on Corporate Governance; Roxaco Employee Handbook; CADP Business Conduct and Policy Handbook.
3.5	Have the Chief Executive Officer and Chief Audit Executive attest in writing, at least annually, that a sound internal audit, control and compliance system is in place and working effectively.	Yes	SEC Form 17-A (Statement of Management Responsibility for Financial Statements)
Guideline No. 4: RECOGNIZES AND MANAGES ITS ENTERPRISE RISKS			
4.1	Have its board oversee the company's risk management function.	Yes	Audit Committee Charter; Revised Manual on Corporate Governance; Amended By-Laws.

4.2	Have a formal risk management policy that guides the company's risk management and compliance processes and procedures.	Yes	Audit Committee Charter; Revised Manual on Corporate Governance. *Finance Policies and Procedure.*
4.3	Design and undertake its Enterprise Risk Management (ERM) activities on the basis of, or in accordance with, internationally recognized frameworks such as but not limited to, COSO, (The Committee of Sponsoring Organizations of the Treadway Commission) I and II.	Yes	Audit Committee Charter; Revised Manual on Corporate Governance.
4.4	Have a unit at the management level, headed by a Risk Management Officer (RMO).	Yes	Audit Committee Charter; Revised Manual on Corporate Governance; General Information Sheet.
4.5	Disclose sufficient information about its risk management procedures and processes as well as the key risks the company is currently facing including how these are being managed.	Yes	Audit Committee Charter; Revised Manual on Corporate Governance; Minutes of the Audit and Risk Committee Meetings.
4.6	Seek external technical support in risk management when such competence is not available internally.	Yes	Audit Committee Charter; Revised Manual on Corporate Governance.
Guideline No. 5: ENSURES THE INTEGRITY OF FINANCIAL REPORTS AS WELL AS ITS EXTERNAL AUDITING FUNCTION			
5.1	Have the board Audit Committee approve all non-audit services conducted by the external auditor. The Committee should ensure that the non-audit fees do not outweigh the fees earned from the external audit.	Yes	Audit Committee Charter; Revised Manual on Corporate Governance.
5.2	Ensure that the external auditor is credible, competent, and should have the ability to understand complex related party transactions, its counterparties, and valuations of such transactions.	Yes	Audit Committee Charter; Revised Manual on Corporate Governance.
5.3	Ensure that the external auditor has adequate quality control procedures.	Yes	Audit Committee Charter; Revised Manual on Corporate Governance.
5.4	Disclose relevant information on the external auditors.	Yes	Audit Committee Charter; Revised Manual on Corporate Governance; Minutes of the Audit and Risk Committee Meetings; Various disclosures to PSE.
5.5	Ensures that the external audit firm is selected on the basis of a fair and transparent tender process.	Yes	Audit Committee Charter; Revised Manual on Corporate Governance; Minutes of the Audit and Risk Committee Meetings.
5.6	Have its audit committee conduct regular meetings and dialogues with the external audit team without anyone from management present.	Yes	Audit Committee Charter; Revised Manual on Corporate Governance; Minutes of the Audit and Risk Committee Meetings.

5.7	Have the financial reports attested to by the Chief Executive Oficer and Chief Financial Officer.	Yes	Audit Committee Charter; Audited Financial Statement; Revised Manual on Corporate Governance.
5.8	Have a policy of rotating the lead audit partner every five years.	Yes	Audit Committee Charter; Revised Manual on Corporate Governance.
Guideline No. 6: RESPECTS AND PROTECTS THE RIGHTS OF ITS SHAREHOLDERS, PARTICULARLY THOSE THAT BELONG TO THE MINORITY OR NON-CONTROLLING GROUP			
6.1	Adopt the principle of "one share, one vote."	Yes	Amended By-Laws; Minutes of the Annual Stockholder's Meeting; Revised Manual on Corporate Governance.
6.2	Ensure that all shareholders of the same class are treated equally with respect to voting rights, subscription rights and transfer rights.	Yes	Amended By-Laws; Minutes of the Annual Stockholder's Meeting; Revised Manual on Corporate Governance.
6.3	Have an effective, secure and efficient voting system.	Yes	Amended By-Laws; Minutes of the Annual Stockholder's Meeting; Revised Manual on Corporate Governance.
6.4	Have effective shareholder voting mechanisms such as supermajority or "majority of minority" requirements to protect minority shareholders against actions of controlling shareholders.	No	RCI does not have a special shareholder voting policy but it complies with the minimum voting requirements for the approval of certain corporate acts as specified in the Corporation Code.
6.5	Provide all shareholders with the notice and agenda of the annual general meeting (AGM) at least thirty (30) days before a regular meeting and twenty (20) days before a special meeting.	Yes	The Amended By-Laws provides that the regular meetings of stockholders may be held without prior notice while notices for special meetings may be sent to its stockholders at least 10 days prior to the date of meeting.
6.6	Allow shareholders to call a special shareholders meeting, submit a proposal for consideration at the AGM or the special meeting, and ensure the attendance of the external auditor and other relevant individuals to answer shareholder questions in such meetings.	Yes	Amended By-Laws; Revised Manual on Corporate Governance.
6.7	Ensure that all relevant questions during the AGM are answered.	Yes	Minutes of Annual Stockholder's Meeting; Revised Manual on Corporate Governance.
6.8	Have clearly articulated and enforceable policies with respect to treatment of minority shareholders.	Yes	Revised Manual on Corporate Governance.

6.9	Avoid anti-takeover measures or similar devices that may entrench management or the existing controlling shareholder group.	Yes	Amended By-Laws; Revised Manual on Corporate Governance.
6.10	Provide all shareholders with accurate and timely information regarding the number of shares of all classes held by controlling shareholders and their affiliates.	Yes	Company Website; SEC Form 17-A: Annual Report; SEC Form 17-IS: Information Statement.
6.11	Have a communications strategy to promote effective communication with shareholders.	Yes	Company Website; Revised Manual on Corporate Governance.
6.12	Have at least thirty percent (30%) public float to increase liquidity in the market.	Yes	Public Ownership Report.
6.13	Have a transparent dividend policy.	No	RCI's ability to declare and pay dividends is generally restricted and guided by the pertinent provisions of the Corporation Code.
Guideline No. 7: ADOPTS AND IMPLEMENTS AN INTERNATIONALLY-ACCEPTED DISCLOSURE AND TRANSPARENCY REGIME			
7.1	Have written policies and procedures designed to ensure compliance with the PSE and SEC disclosure rules, as well as other disclosure requirements under existing laws and regulations.	Yes	Revised Manual on Corporate Governance.
7.2	Disclose the existence, justification, and details on shareholders agreements, voting trust agreements, confidentiality agreements, and such other agreements that may impact on the control, ownership, and strategic direction of the company.	Yes	Revised Manual on Corporate Governance.
7.3	Disclose its director and executive compensation policy.	Yes	Revised Manual on Corporate Governance; SEC Form 17-A; Annual Report; SEC Form 17-IS: Information Statement.
7.4	Disclose names of groups or individuals who hold 5% or more ownership interest in the company, significant cross-shareholding relationship and cross guarantees, as well as the nature of the company's other companies if it belongs to a corporate group.	Yes	SEC Form 17-A: Annual Report; SEC Form 17-IS: Information Statement; Top 20 Shareholders Report; Public Ownership Report.
7.5	Disclose annual and quarterly consolidated reports, cash flow statements and special audit revisions. Consolidated financial statements shall be published within 90 days from the end of the financial year, while interim reports shall be published within 45 days from the end of the reporting period.	Yes	SEC Form 17-A: Annual Report; SEC Form 17-Q: Quarterly Report; Audited Financial Statement.
7.6	Disclose to shareholders and the Exchange any changes to its corporate governance manual and practices, and the extent to which such practices conform to the SEC and PSE CG Guidelines.	Yes	Revised Manual on Corporate Governance.
7.7	Publish and/or deliver to its shareholders in a timely fashion all information and materials relevant to corporate actions that require shareholder approval.	Yes	SEC Form 17-IS: Information Statement; SEC Form 17-A: Annual Report.

7.8	Disclose the trading of the corporation's shares by directors, officers (or persons performing similar functions) and controlling shareholders. This shall also include the disclosure of the company's purchase of its shares from the market (e.g share buy-back program).	Yes	SEC Form 17-A: Annual Report; SEC Form 17-C: Current Report; SEC Form 17-IS: Information Statement; Various disclosures to SEC and PSE.
7.9	Disclose in its annual report the principal risks to minority shareholders associated with the identity of the company's controlling shareholders; the degree of ownership concentration; cross-holdings among company affiliates; and any imbalances between the controlling shareholders' voting power and overall equity position in the company.	Yes	Revised Manual on Corporate Governance; SEC Form 17-A: Annual Report; SEC Form 17-IS: Information Statement.
Guideline No. 8: RESPECTS AND PROTECTS THE RIGHTS AND INTERESTS OF EMPLOYEES, COMMUNITY, ENVIRONMENT, AND OTHER STAKEHOLDERS			
8.1	Establish and disclose a clear policy statement that articulates the company's recognition and protection of the rights and interests of key stakeholders specifically its employees, suppliers & customers, creditors, as well the community, environment and other key stakeholder groups.	Yes	CADP Code of Business Conduct Policy; Revised Manual on Corporate Governance; Roxaco Employee Handbook.
8.2	Have in place a workplace development program.	Yes	CADP Code of Business Conduct Policy; Revised Manual on Corporate Governance; Roxaco Employee Handbook.
8.3	Have in place a merit-based performance incentive mechanism such as an employee stock option plan (ESOP) or any such scheme that awards and incentivizes employees, at the same time aligns their interests with those of the shareholders.	Yes	Revised Manual on Corporate Governance; Roxaco Employee Handbook.
8.4	Have in place a community involvement program.	Yes	Company website on Corporate Social Responsibility ("CSR"). *CSR activities thru the Roxas Foundation*.
8.5	Have in place an environment-related program.	Yes	Company website on Corporate Social Responsibility. *CSR activities thru the Roxas Foundation.*
8.6	Have clear policies that guide the company in its dealing with its suppliers, customers, creditors, analysts, market intermediaries and other market participants.	Yes	CADP Code of Business Conduct Policy; Roxaco Employee Handbook; Revised Manual on Corporate Governance.
Guideline No. 9: DOES NOT ENGAGE IN ABUSIVE RELATED-PARTY TRANSACTIONS AND INSIDER TRADING			
9.1	Develop and disclose a policy governing the company's transactions with related parties.	No	The RCI Board has directed management to draft a policy governing related-party transactions for the consideration of, and approval by, the Board.

9.2	Clearly define the thresholds for disclosure and approval for RPTs and categorize such transactions according to those that are considered *de minimis* or transactions that need not be reported or announced, those that need to be disclosed, and those that need prior shareholder approval. The aggregate amount of RPT within any twelve (12) month period should be considered for purposes of applying the thresholds for disclosure and approval.	No	Same answer as in 9.1.
9.3	Establish a voting system whereby a majority of non-related party shareholders approve specific types of related party transactions in shareholders meetings.	No	RCI discloses to its shareholders all its RPTs in its Annual Report/Audited Financial Statements. However, it does not have a voting system whereby a majority of non-related party shareholders approve specific types of related-party transactions.
9.4	Have its independent directors or audit committee play an important role in reviewing significant RPTs.	Yes	Audit Committee Charter; Amended By-Laws; Revised Manual on Corporate Governance.
9.5	Be transparent and consistent in reporting its RPTs. A summary of such transactions shall be published in the company's annual report.	Yes	Audit Committee Charter; Revised Manual on Corporate Governance.
9.6	Have a clear policy in dealing with material non-public information by company insiders.	Yes	Revised Manual on Corporate Governance.
9.7	Have a clear policy and practice of full and timely disclosure to shareholders of all material transactions with affiliates of the controlling shareholders, directors or management.	Yes	SEC Form 17-A: Annual Report; SEC Form 17-IS: Information Statement; Revised Manual on Corporate Governance.
Guideline No. 10: DEVELOPS AND NURTURES A CULTURE OF ETHICS, COMPLIANCE, & ENFORCEMENT			
10.1	Formally adopt a code of ethics and proper conduct that guides individual behavior and decision making, clarify responsibilities, and inform other stakeholders on the conduct expected from company personnel.	Yes	Revised Manual on Corporate Governance; CADP Code of Business Conduct Policy; CADP Safety Code; Roxaco Employee Handbook.
10.2	Have a formal comprehensive compliance program covering compliance with laws and relevant regulations. The program should include appropriate training and awareness initiatives to facilitate understanding, acceptance and compliance with the said issuances.	Yes	Revised Manual on Corporate Governance; CADP Code of Business Conduct Policy; Roxaco Employee Handbook.
10.3	Not seek exemption from the application of a law, rule or regulation especially when it refers to a corporate governance issue. Should it do so, it has to disclose the reason for such action as well present the specific steps being taken to finally comply with the applicable law, rule or regulation.	Yes	Revised Manual on Corporate Governance; CADP Code of Business Conduct Policy.
10.4	Have clear and stringent policies and procedures on curbing and penalizing company or employee involvement in offering, paying and receiving bribes.	Yes	Revised Manual on Corporate Governance; CADP Code of Business Conduct Policy; Roxaco Employee Handbook.

10.5	Have a designated officer responsible for ensuring compliance with all relevant laws, rules, and regulation, as well as all regulatory requirements.	Yes	Revised Manual on Corporate Governance; CADP Code of Business Conduct Policy.
10.6	Respect intellectual property rights.	Yes	Revised Manual on Corporate Governance.
10.7	Establish and commit itself to an alternative dispute resolution system so that conflicts and difference with counterparties, particularly with shareholders and other key stakeholders, would be settled in a fair and expeditious manner.	Yes	Revised Manual on Corporate Governance.

*List of attached documents.

Annex	Title of Document
A	SEC Form 17-A
B	Annual Report to Stockholders
C	RCI Audit Committee Charter
D	RCI Amended By-Laws
E	CADP Code of Business Conduct Policy
F	CADP Safety Code
G	RCI Revised Manual on Corporate Governance
H	Roxaco Employee Handbook

This is to certify that the undersigned reviewed the contents of this document and to the best of my knowledge and belief, the information contained set forth in this document is true, complete and correct.

Done this __________ in Makati City.

CORAZON S. DELA PAZ-BERNARDO
Independent Director

PEDRO E. ROXAS
President & CEO

MAR 3 1 2015

SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public for and in Makati City this _____ day of March 2015, affiants exhibiting to me their respective Community Tax Certificates and valid identification cards as indicated below.

Name	Valid ID	Valid Until
Corazon S. Dela Paz-Bernardo	Phil. Passport No. EB5032144	27 March 2017
Pedro E. Roxas	Phil. Passport No. EB0094507	12 April 2015

Doc. No. 64;
Page No. 15;
Book No. II;
Series of 2015.

ATTY. REI ALESSANDRO L. DIAZ
NOTARY PUBLIC – MAKATI CITY
UNIT 2904, 88 CORPORATE CENTER VALERO
SALCEDO VILLAGE, MAKATI CITY
PTR NO. 2365570 01-26-2015 MANDALUYONG CITY
IBP LIFETIME NO. 07464
ROLL NO. 55690
APPOINTMENT NO. M-119
COMMISSION EXPIRES ON 12-31-16
MCLE COMPLIANCE NO. IV-0009955

Roxas & Company, Inc.

A N N E X "A"

SEC Form 17-A

P W - 8 3 4

R O X A S A N D C O M P A N Y , I N C .
(F O R M E R L Y C A D P G R O U P
C O R P O R A T I O N)

(Company's Full Name)

7 T H F L O O R ,
C A C H O - G O N Z A L E S B U I L D I N G ,
1 0 1 A G U I R R E S T R E E T L E G A S P I
V I L L A G E , M A K A T I C I T Y

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

ATTY. ALEZANDRO S. CASABAR

810-8901

SEC Form 17-A (2014)
For Year Ended September 30, 2014

September 30
Month *Day*
Fiscal Year

Form Type

February *4th Wednesday*
Month *Day*
Annual Meeting

NOT APPLICABLE
Secondary License Type, If Applicable

Department Requiring this Document

Article VI
Amended Articles Number/Section

Total Amount of Borrowings

3,402
Total No. of Stockholders

₽351.4 million
Domestic

Foreign

TO BE ACCOMPLISHED BY SEC PERSONNEL CONCERNED

File Number

LCU

Document I.D.

Cashier

S T A M P S

Remarks = pls. Use black ink for scanning purpose

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

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

2. SEC Identification Number: **834**

3. BIR Tax Identification No. : **000-269-435-000**

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

5. **Philippines**
   Province, Country or other jurisdiction of
   Incorporation or Organization

6. (SEC Use Only)
   Industry Classification Code

7. **7th Floor Cacho-Gonzales Building, 101 Aguirre Street**
   Legaspi Village, Makati City 1229
   Address of Principal Office

8. **(632) 810-89-01 to 06**
   Registrant's telephone number, including area code

9. CADP GROUP CORPORATION
   6th Floor Cacho-Gonzales Building, 101 Aguirre Street
   Legaspi Village, Makati City 1229
   Former name and former address.

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

Title of Each Class	Number of Shares of Stock Outstanding and Amount of Debt Outstanding
Authorized Capital Stock	
Common	**₱3,375,000,000**
No. of shares subscribed & outstanding:	
Common	1,921,501,094
Amount of loans outstanding as of 30 September 2014	**₱351,360,945**

Of the 1,921,501,094 subscribed and outstanding common shares, 1,365,990,294 shares were exempt securities under Section 10.1 of the SRC.

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

Yes [**√**] No [ ]

1,921,501,094 common shares are registered with the Philippine Stock Exchange (PSE).

12. Check whether the issuer:

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

Yes [**√**] No [ ]

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

Yes [**√**] No [ ]

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

Assuming that the number of stockholdings of non-affiliates as of 31 December 2014 is 431,734,649 common shares and assuming further that the market bid price of the shares as of same date is ₱2.80 then the aggregate market value of the voting stocks held by non-affiliates as of said date is ₱1,208,857,017.

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

(a) Incorporated by reference in Part III on Financial Information is the Consolidated Financial Statements of Roxas and Company, Inc. and subsidiaries for the fiscal year ended 30 September 2014.

PART I – BUSINESS

1. Business Development

In 2008, the Roxas Group of Companies, of which Roxas & Company, Inc. (RCI), Roxas Holdings, Inc. (RHI), Roxaco Land Corporation (Roxaco), CADP Group Corporation (CADPGC) are a part, undertook a corporate reorganization. This was done to create a corporate structure that ultimately separates the sugar and the real estate businesses of the Roxas Group. The objective is to have a listed company for the sugar business and another listed company for the real estate business.

On 23 June 2009, the Securities and Exchange Commission (SEC) approved the merger between RCI (SEC Registration No. 102373), the *absorbed* corporation, and CADPGC (SEC Registration No. 834), the surviving corporation. The merger took effect on 29 June 2009. The SEC likewise allowed the surviving corporation, CADPGC, to change its corporate name to Roxas and Company, Inc. (the "Company").

With the merger of RCI and CADPGC, the Company now has interests in both (i) the real estate business of 100%-owned Roxaco and (ii) the sugar business of RHI and its sugar- and ethanol-manufacturing subsidiaries.

On November 29, 3013, RCI sold its 31% equity ownership in RHI to First Pacific Company, Ltd. (First Pacific), Hong Kong-based Company. RCI remains the major shareholder at 35% of RHI while First Pacific has 34% equity ownership as it acquired additional shares of stock of RHI from other stockholders. Subsequent to the sale, RHI became an associate of the Company.

2. Business

Description of the General Nature and Business of the Company

The Company (formerly CADP Group Corporation) is one of the largest sugar corporations in the country. It was established in October 1918. It became one of the biggest sugar mills in the Far East during the 1970s.

A change in ownership structure in 1995 paved the way for the rehabilitation, improvement, and expansion of the Company. In 2004, the Company was reorganized and transformed into a full-fledged sugar holding and investment corporation.

In 2008, the Roxas Group, of which Roxas & Company, Inc. (RCI), Roxas Holdings, Inc. (RHI), CADP Group Corporation (CADPGC) and Roxaco Land Corporation (Roxaco) are a part, undertook a corporate reorganization. With (a) the sale by CADPGC of all its sugar-related operating subsidiaries and assets to RHI, (b) the sale of CADPGC by RHI to RCI and (c) the approval of the merger between RCI and CADPGC by the SEC, the Company, a holding and investment corporation, now has interests in both the sugar businesses of RHI and the real estate business of Roxaco.

Since most of the real property development projects of Roxaco are already completed, it is looking into undertaking other projects for expansion and development. In 2012, it began the development of the first townhomes project with shop houses in Nasugbu, Batangas – the Landing Townhomes.

Roxaco has also expanded its Orchards project in 2013 with the launch of Phase II for The Orchards at Balayan Subdivision, also in Batangas.

Roxaco developed Anya Resort and Residences (Phases 1, 2 &3), Roxaco completed the development of Phase 1 as at September 2014. Roxaco will continue developing Anya Resort and Residences into a boutique resort with the construction of various resort amenities and branded residences.

In December 2013, Roxaco entered a joint venture with Vanguard Hotels Group to explore the "Budget Hotel" industry in the Philippines. The joint venture is designed for the partners to put up and operate a minimum of five (5) budget hotels in Metro Manila. The company continues to explore business prospects in the CALABARZON and Metro Manila areas.

Business Units and Operations

The Company directly owns (a) 100% of Roxaco Land Corporation (Roxaco), the real estate company of the Roxas Group, and (b) 35% of the total issued and outstanding shares of RHI, under which are the various sugar-operating companies.

The Company, through Roxaco, has investments in Fuego Development Corporation (FDC), Fuego Land Corporation (FLC), Club Punta Fuego, Inc. (CPFI), Fuego Hotels Property and Management Corporation (FHMPC), Roxaco-ACM Development Corporation (RADC) and Roxaco-Vanguard Hotels Corporation (RVHC).

FDC was formed as a 70%-30% joint venture by Landco Pacific Corporation (LPC) and Roxaco specifically to carry out the business plan which provides, among others, for the development of the upgraded facilities of Peninsula de Punta Fuego.

FLC was formed as 60%-30%-10% joint venture by Landco Pacific Corporation, Roxaco and Alexcy Corporation. The joint venture corporation tied up with several land owners for the expansion of the Punta Fuego project known as Terrazas de Punta Fuego.

FHPMC is a management company with expertise in managing hotels, resorts and full and limited service companies. Roxaco has a 75% equity interest in FHPMC.

RADC was formed as 50%-50% joint venture between Roxaco and ACM Landholdings (ACM) for the development of a 5-hectare property into a housing project known as Woodstock-Nasugbu.

Roxaco also has a 65% interest in a joint venture with Marilo Corporation for the development of The Orchards at Balayan in Balayan, Batangas and a 42% interest in a joint venture with ACML and ACM Columbia for the development of Goodwood Homes Subdivision.

On 02 December 2009, Roxaco entered into a Joint Venture Agreement with VJ Properties, Inc. for the development of a 36,201 square-meter property in Tagaytay City into a boutique resort-type of residential subdivision known as Anya Resort and Residences (Tagaytay). Roxaco has a 65% share in the net proceeds from the sale of 14 pre-selected lots, a 65% and 60% share in the net proceeds from the sale of remaining 12 and 28 lots respectively in Phase 1 The other 21,771 square-meter which consist of Phase 2 & 3 of Anya Resort and Residences (Tagaytay) is 100% development by Roxaco.

In July 2012, Roxaco launched its townhomes project, known as Landing Townhomes, in Nasugbu, Batangas. Landing Townhomes is a project consisting of 114 units of saleable house and lots, 21 commercial units for sale of which 2 units is to be used as Roxaco office .

In December 2013, Roxaco entered a joint venture with Vanguard Hotels Group to explore the “Budget Hotel” industry in the Philippines. The joint venture is designed for both parties to put up and operate initially a minimum of five (5) budget hotels in Metro Manila.

Principal Products and Services

Roxaco, on its own or in joint venture with other property developers and landowners, has several projects ranging from first-class residential resort communities to open-lot residential subdivisions within the provinces of Batangas and Cavite.

Its joint venture projects include:

(a) Peninsula De Punta Fuego, an 88-hectare world-class residential beach resort located in Nasugbu, Batangas developed in partnership with Landco Pacific Corporation (Landco). The Punta Fuego community consists of Spanish-Mediterranean inspired villas, a Beach Club, a Marina, a nine-hole golf course and a Country Club;

(b) Terrazas De Punta Fuego, a 61-hectare prime seafront property, also located in Nasugbu, Batangas, and developed by Fuego Land Corporation (FLC), a 70%-30% joint venture company of Landco and Roxaco. This property is also home to Amara en Terrazas, a seaside condominium project;

(c) Club Punta Fuego, an exclusive resort developed by FDC. Facilities include The Country Club, Upper Beach Club, Lower Beach Club, a Nelson-Haworth designed nine-hole golf course, twelve white sand beaches, casitas, a Marina, The Spa, The Boardwalk, Game Hall and KTC, Café Sol, double infinity pools and the Sunset Beach Cove. An associate membership to Club Punta Fuego is attached to every lot in Peninsula and Terrazas de Punta Fuego;

(d) Woodstock Homes, a 5-hectare mass housing project located in Nasugbu, Batangas. This was developed by Roxaco-ACM Development Corporation, an incorporated joint venture company between Roxaco and ACM Landholdings, Inc. A total of 386 housing units and 100 open lots comprise the development, all of which have been sold out;

(e) Goodwood Homes, a low-density residential development with only 150 duplex units in a 2-hectare area located in Imus, Cavite. The project was developed in joint venture with ACM Landholdings, Inc.;

(f) The Orchards at Balayan, a 9-hectare property located in Balayan, Batangas. This is an open-lot residential subdivision for Phase 1, a combination of an open-lot, house and lot residential subdivision for Phase 2 developed by Roxaco in joint venture with Marilo Corporation; and

(g) Anya Resort and Residences, a 4-hectare property located in Tagaytay City. This is a low density boutique resort-type of residential subdivision being developed by Roxaco and partly a joint venture with landowner VJ Properties, Inc.

On its own, Roxaco developed the following projects:

(a) Landing Subdivision, a residential open lot subdivision located in Nasugbu, Batangas. It has a total area of 23 hectares. All phases have been completed and sold out;

(b) Landing Commercial Building, a commercial facility with a total land area of 13,000 square meters consisting of 20 stalls. It is located along J.P. Laurel Street, Nasugbu, Batangas;

(c) Palm Estates Subdivision, a 23.6-hectare open-lot residential project consisting of three phases. Located in Nasugbu, Batangas, it offers a wide spectrum of lots designed to cater to families from all economic walks of life;

(d) Palm Homes, a 10-unit house and lot project in Palm Estates;

(e) San Antonio Memorial Gardens, the first master-planned memorial park in Western Batangas; and

(f) Landing Townhomes, a 1.2-hectare property, is the first townhouse development in Nasugbu, Batangas. It consists of 114 two-storey residential units offered for sale, 21 commercial units for sale of which 2 units is to be used as Roxaco office .

Distribution Methods of the Products or Services

Roxaco offers its various properties to potential buyers through its authorized sales agents and brokers.

Competition

Most of Roxaco's projects are located in the Municipality of Nasugbu, Batangas. It intends to develop the remaining land bank based on an integrated master plan, and also explore possible projects in other high-potential regions in the Philippines.

The giants of the local property market are Ayala Land, Robinsons Land, Megaworld, Filinvest Land, Vista Land and Sta.Lucia Realty. In Nasugbu, however, Roxaco's projects, which cater more to the local market, have no direct competitors. Most of the popular developments such as Pico de Loro in Hamilo Coast by SM Investments Corporation are designed as weekend homes for the Metro Manila market. In Tagaytay, SM Investments Corporation also offers premium residences that seamlessly fuse together leisure and luxury – Tagaytay Highlands.

In terms of project types, Roxaco is comparable to emerging developers like Moldex, Extra Ordinary Development Corporation, and other regional developers that are still in the process of establishing a national presence.

Roxaco does not have records on file indicative of the relative sizes and financial and market strengths of the said companies. However, financial and operational performances of publicly-listed real estate companies are available through their disclosures to the Securities and Exchange Commission and the Philippine Stock Exchange.

Sources and Availability of Raw Materials and Names of Principal Suppliers

Roxaco secured the services of Land Infrastructures Experts, Inc., Arlkaye Builders, R.A. Construction Corporation, Blue Development Inc., Ecoplan Inc., ECCruz Corporation and Emesae Design Corporation for its major real estate developments.

Transactions with and/or Dependence on Related Parties

Roxaco is not dependent on a few customers or related parties in the sale of its properties or in offering its services. It caters to families from all economic walks of life.

Patents, Trademarks and Copyrights

The Company's real property arm, Roxaco, has applied for the registration of the trademark for its project "Anya Resort and Residences" and Device. The application is currently on process.

Need for Government Approvals of Principal Products or Services

As part of the normal course of business, Roxaco secures all the necessary permits such as but not limited to development permits from the local government, Certificate of Registration and License to Sell from the Housing and Land Use Regulatory Board, and the Environmental Compliance Certificate from the Department of Environment and Natural Resources.

Effect of Existing or Probable Governmental Regulations

The real estate business is subject to a number of laws including the Civil Code of the Philippines, Presidential Decree Nos. 957 and 1216, the Maceda Law, and certain provisions of the Local Government Code. The industry is primarily regulated by the policies and rules and regulations issued by the Housing and Land Use Regulatory Board.

The Philippine Interpretation IFRIC 15*, Agreement for Construction of Real Estate*, provides that revenue from construction of real estate is recognizable only upon completion of the project, except when (a) such contract qualifies as construction contract which is to be accounted for under PAS 11, *Construction Contracts*, or (b) it involves rendition of services in which case revenue is recognized based on stage of completion. The Securities and Exchange Commission has deferred the application of IFRIC 15 until the final Revenue Standard is issued by the IASB and after an evaluation on the requirements and guidance in the said Standard vis-à-vis the practices and regulations in the Philippine real estate industry is completed.

Value Added Tax System

The present value added tax (VAT) system imposes a 12% VAT on Sale of Real Properties. Section 4.106-3 of Revenue Regulations No. 16-2005 – Sale of real properties held primarily for sale to customers or held for lease in the ordinary course of trade or business of the seller shall be subject to VAT.

This includes sale, transfer or disposal within a 12-month period of two or more adjacent residential lots, house and lots or other residential dwellings in favor of one buyer from the same seller for the purpose of utilizing the lots, house and lots or other residential dwellings as one residential area wherein the aggregate value of the adjacent properties exceeds ₱1,919,500, for residential lots and ₱3,199,200 for residential house and lots or other residential dwellings. Adjacent residential lots, house and lots or other residential dwellings although covered by separate titles and/or separate tax declarations, when sold or disposed to one and the same buyer, whether covered by on or separate Deed/s of Conveyance, shall be presumed as a sale of one residential lot, house and lot or residential dwelling. The tax consequence does not adversely affect the company's business because the tax is passed onto the buyer or consumer.

Costs and Effects of Compliance with Environmental Laws

Roxaco secures the required Environmental Compliance Certificates for all of its real property developments. For the Anya Resort and Residences project in Tagaytay, Roxaco has invested in the transfer and relocation of existing landscaping and therefore ensure that the generally lush environment is maintained.

In addition, designs of the houses as well as the amenities for Anya have incorporated sustainable architectural design features that maximize natural lighting and ventilation and reduce energy costs.

Total Number of Employees and Number of Full-Time Employees

As of 30 September 2014, the Company had one (1) executive and three (8) employees.

Roxaco, on the other hand, had two (2) executives and twenty-seven (26) employees. Nine (9) of these Roxaco employees are based in Nasugbu, Batangas and one (1) in a satellite office in Balayan, Batangas. The rest are based in its administrative and corporate offices in Makati City.

Property

The Company is the owner of a big tract of land located in Nasugbu, Batangas with land area of more or less 2,900 hectares, and with total appraised values of ₱4,448.50 million as of 30 September 2014. Of these, approximately 2,300.60 hectares were covered by the Comprehensive Agrarian Reform Program (CARP).

In April 2010, RCI filed with the Tourism Infrastructure and Enterprise Zone Authority (TIEZA) an application to declare fourteen (14) specific geographical areas within the RCI landholdings as tourism zones. To date, this application has remained unacted upon.

In total, RCI has around 222 hectares of land that were declared by the courts or the DAR as exempt from the coverage of CARP, including the 21.1236-hectare property declared exempt by the Supreme Court in its Decision dated 05 September 2011 in GRN 169331.

There are pending legal cases as at September 30, 2014. None of these contingencies are discussed in detail so as not to seriously prejudice the Group's position in the related disputes.

The Company is likewise the registered owner of a 1,030 sqm condominium unit located at the 7th Floor of Cacho-Gonzales Building, 101 Aguirre Street, Legaspi Village, Makati City. It has a carrying value of ₱179,506 while fair market value is pegged at ₱ 59.74 Million as of 30 September 2014. This property and 7,770 sqm of land in Nasugbu, Batangas are presently mortgaged to secure certain loan obligations.

Real Estate

As of 30 September 2014, Roxaco's real estate for sale and development, consisting of real estate properties for sale, raw land and land improvements, were valued at ₽441.01million (historical cost). Of these, properties with total area of 677,522 sqm and carrying costs of ₽178.8 million were used as collateral to secure certain loan obligations of the Company.

Legal Proceedings

RCI is a party to various legal proceedings mostly involving the coverage of its properties in Nasugbu, Batangas under the Comprehensive Agrarian Reform Program (CARP).

Sometime in 1993, the Company filed a case questioning the Department of Agrarian Reform's (DAR) acquisition of its landholdings and asking for the cancellation of the Certificates of Land Ownership Awards (CLOAs) issued by the DAR in favor of the farmer-beneficiaries. On 17 December 1999, the Supreme Court promulgated its Decision in GR No. 127876 nullifying the DAR acquisition proceedings over haciendas Palico, Banilad and Caylaway/Carmen. The High Tribunal ruled that the Company's right to due process was violated by the DAR. However, the Supreme Court did not nullify the CLOAs that were issued by the DAR despite its declaration that the acquisition proceedings were null and void.

In May 2000, the Company filed with the DAR an application for CARL exemption of its three Haciendas in Nasugbu based on Presidential Proclamation No. 1520 which declared the entire municipality of Nasugbu as a tourist zone. RCI likewise filed exemption applications for smaller areas based on the 1982 Zoning Ordinance of Nasugbu, Batangas.

In December 2009, the Supreme Court ruled that PP No. 1520 did not automatically reclassify the agricultural lands in Nasugbu, Batangas to non-agricultural lands[1]. However, the Court noted that RCI "can only look to the provisions of the Tourism Act and not to PP No. 1520, for possible exemption".

On 08 February 2011, the Supreme Court denied the Company's Second Motion for Reconsideration and affirmed with finality its December 2009 Decision.

Consistent with the 2009 Supreme Court Decision that "Roxas and Co. can only look to the provisions of the Tourism Act, and not to PP 1520, for possible exemption," RCI filed in April 2010 with the Tourism Infrastructure and Enterprise Zone Authority ("TIEZA") an application to declare fourteen (14) Specific Geographic Areas located in the RCI landholdings as Tourism Enterprise Zones ("TEZs"). This application was based on the Tourism Act of 2009.

To date, the said application has remained unacted upon primarily because it took the DOT some time to promulgate the Implementing Rules and Regulations ("IRR"). However, last July 2011, the IRR has been published in newspapers of general circulation and the same took effect on 01 August 2011. At present, RCI's application is still pending with the TIEZA.

[1] The 04 December 2009 Decision in SC GRN 149548, 165450, 167453, 179650, 167845 AND 169163 may be accessed at http://sc.judiciary.gov.ph/jurisprudence/2009/december2009/149548.htm.

On 20 September 2011, RCI received from the Supreme Court a Decision dated 05 September 2011[3] affirming the exemption of a 21.1236-hectare property from CARP. The exempt property consists of 27 parcels of land located in Barangay Aga, Nasugbu, Batangas.

There are three[5] other CARP-related cases that are pending with the Provincial Adjudicator (PARAD) of Western Batangas and the Department of Agrarian Reform (DAR).

In the ordinary course of its business, the Company is a party to other cases, either as complainant or defendant. However, the Company believes that these cases do not have any material adverse effect on it.

On 22 October 2012, the DAR published a Notice of Coverage over approximately 2,514.76 hectares of the Company's properties. The Company has filed its Protest with the DAR against this wrongful coverage (failure to observe the proper rules before publishing the said Notice of Coverage) and the applicable law (RA No. 6657 vs. RA No. 9700). On June 17, 2014, the DAR issued a revised NOC covering RCI properties aggregating 2,300.60 hectares.

On October 16, 2013, the DAR ordered the denial of the Protest. On December 9, 2013, RCI filed a Motion for Reconsideration (MR) with the DAR. On April 15, 2014, the DAR denied the MR of RCI. On June 27, 2014, RCI filed a Petition for Certiorari to the Court of Appeals (CA). As at the date of the report, the petition is still pending before the CAT.

There are pending legal cases as at September 30, 2014. None of these contingencies are discussed in detail so as not to seriously prejudice the Group's position in the related disputes.

<u>Real Estate</u>

In the ordinary course of its business, Roxaco is engaged in litigation either as complainant or defendant. Roxaco believes that these cases do not have any material adverse effect on it.

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[3] Agapito Rom, et. al. vs. Roxas and Company, Inc., G.R. No. 169331.

[5] These cases are: (i) DAR Adm. Case No. A-9999-100-97, which is an application for exemption from CARP coverage of a 45.97 hectare property in Brgy. Aga on the ground that the said property has a slope of at least 18%. The DAR granted RCI's application. However, the farmer-beneficiaries filed a Motion for Reconsideration, to which RCI filed an opposition; (ii) Petitions for the cancellation of CLOA No. 6646 covering a 21-hectare property. These cases stemmed from a Certificate of Finality issued by DAR exempting the subject property from CARP coverage. The Provincial Adjudicator of Batangas (PARAD) decided in favor of the Company and cancelled the CLOA. The farmers' Motion for Reconsideration was subsequently denied by the PARAD. The cases are now with the Department of Agrarian Reform Adjudication Board (DARAB) in view of the appeal filed by the farmers; and (iii) DAR Case Nos. R-0401-0021 to 0058-2009 stems from a final and executory Supreme Court ruling exempting from CARP coverage a 30.1685-hectare property in Barangay Banilad, Batangas. As such, the Company filed with the PARAD Petitions for cancellation of CLOA 5189 insofar as the exempted area is concerned.

Submission of Matters to a Vote of Security Holders

No matter was submitted to a vote of security holders, through solicitation of proxies or otherwise, during the period) covered by this report.

PART II – SECURITIES OF THE REGISTRANT

Market Price of and Dividends on Common Equity and Related Stockholder Matters

1. Market Information.

The Company has 1,921,501,095 common shares listed and traded in the Philippine Stock Exchange under the trading symbol "RCI".

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

	High	Low
October 2012-December 2012	3.50	1.68
January 2013-March 2013	2.39	2.25
April 2013-June 2013	3.00	2.27
July 2013-Sept 2013	2.25	1.51
October 2013-December 2013	5.35	4.83
January 2014-March 2014	3.38	3.37
April 2014-June 2014	2.81	2.80
July 2014-Sept 2014	2.99	2.98
October 2014-December 2014	2.80	2.80
January 09, 2015	2.88	2.57

(a) Holders. There were 3,402 holders of the Company's listed shares as of 30 September 2014. The top twenty (20) holders of the Company's common shares as of said date were:

	STOCKHOLDERS	NATIONALITY	TOTAL SHARES	%
1	SPCI Holdings, Inc.	Filipino	642,779,593	33.45%
2	Antonio J. Roxas	Filipino	500,000,000	26.02%
3	Pesan Holdings, Inc.	Philippine National[6]	340,593,270	17.73%
5	Beatriz O. Roxas	Spanish	125,210,092	6.52%
6	PCD Nominee Corporation	Filipino	8,932,903	0.46%
7	Rizal Commercial Banking Corporation	Philippine National	3,048,161	0.16%
8	Antonio Roxas Chua	Filipino	2,379,610	0.12%

[6] This does not include the 1,271,559 shares beneficially owned by Pesan Holdings, Inc. (PHI) but owned on record by the PCD Nominee Corporation, the top 9 stockholder. Mr. Pedro E. Roxas is the controlling stockholder of Pesan Holdings, Inc. (PHI). In total, Mr. Pedro E. Roxas owns, directly and indirectly, 536,681,945 RCI shares representing 18.43% of the subscribed capital stock.

9	Mari Carmen Roxas de Elizalde	Filipino	1,361,241	0.07%
10	Santiago R. Elizalde	Filipino	1,210,930	0.06%
11	Francisco Jose R. Elizalde	Filipino	1,203,013	0.06%
12	Carlos Antonio R. Elizalde	Filipino	1,200,320	0.06%
13	Central Azucarera dela Carlota Retirement Trust Fund	Philippine National	1,178,400	0.06%
14	Pedro E. Roxas	Filipino	939,031	0.05%
15	Equitable Securities FAO Inigo Elizalde	Filipino	933,810	0.05%
16	Severo A. Tuason & Company, Inc.	Filipino	537,000	0.03%
17	Dolores Teus De M Vara De Rey	Filipino	488,020	0.03%
18	Concepcion Teus Vda. De M Vara De Rey	Filipino	445,650	0.02%
19	Pan Malayan Mgmt. Corp.	Filipino	337,559	0.02%
20	Ma. Del Pino Ruiz	Filipino	336,700	0.02%
	SUBTOTAL		**1,906,552,832**	99.22%
	OTHER STOCKHOLDERS		14,948,263	0.78%
	GRAND TOTAL		**1,921,501,095**	**100.00%**

2. Dividends.

The ability of the Company to declare and pay dividends on its common shares is generally governed by the pertinent provisions of the Corporation Code of the Philippines, i.e. prohibition on capital impairment and the limitation on the discretion of the Board of Directors, among others. In the recent past, the Company declared and paid dividends as follows:

Declaration Date	*Dividend Per Share*	*Record Date*	*Payment Date*
29 June 2006	₱ 0.06	14 July 2006	31 July 2006
5 October 2006	₱ 0.06	19 October 2006	10 November 2006
21 June 2007	₱ 0.06	13 July 2007	31 July 2007
20 September 2007	₱ 0.04	15 October 2007	8 November 2007
26 June 2008	₱ 0.06	15 July 2008	31 July 2008
2 October 2008	₱ 0.06	15 October 2008	30 October 2008
13 December 2013	₱ 0.02	06 January 2014	30 January 2014
12 December 2014	₱ 0.02	15 January 2014	30 January 2014

3. Recent Sales of Unregistered Securities.

(a) Securities Sold.

There was no recent sale of unregistered or exempt securities.

However, on 23 June 2009, the SEC has approved the increase of the authorized capital stock from Php1,962,500,000.00 divided into 1,962,500,000 shares with a par value of Php1.00 each to Php3,375,000,000.00 divided into 3,375,000,000 shares with a par value of Php1.00 each.

Pursuant to the Plan of Merger, which was likewise approved by the SEC on 23 June 2009 and became effective on 29 June 2009, (i) 1,481,521,405 CADPGC shares previously owned by RCI, (ii) 1,506,000 pre-merger treasury shares of CADPGC; and (iii) 1,365,990,294 new and still unlisted shares from the increase in the authorized capital stock, were distributed/transferred to the stockholders of the absorbed company, RCI.

(b) Exemption from Registration Claimed.

On 30 June 2009, the Company filed with the Securities and Exchange Commission a Notice of Exempt Transaction (SEC Form 10.1) for the 1,365,990, 294 new and unlisted shares (taken from the increase in the authorized capital stock) that were issued by the Company in connection with the merger of RCI and CADPGC.

The Philippine Stock Exchange (PSE) approved on 25 November 2009 the application submitted by the Company to list the additional 1,365,990,294 common shares, with par value of Php1.00 per share, to cover the merger transaction between RCI and CADPGC.

On 09 December 2009, 1,365,990,294 Company common shares were listed with the PSE.

4. Description of Registrant's Securities.

The authorized capital stock of the company is Three Billion Three Hundred Seventy Five Million Pesos (₱3,375,000,000.00) divided into 3,375,000,000 common shares with par value of One Peso (₱1.00) per share.

Shareholders have no pre-emptive rights to any issue of shares, of whatever class by the corporation unless otherwise decided by the Board of Directors for the best interest of the corporation (Art. VIII, CADPGC Amended Articles of Incorporation). There is no provision in its charter or by-laws which would delay, defer or prevent a change in control of the Company.

3. Management's Discussion and Analysis or Plan of Operation

FISCAL YEAR 2013-2014

This year, Roxas and Company, Inc. (RCI) or the Parent Company made a major strategic decision to give up majority control of its investment in Roxas Holdings Inc. (RHI) in order to buy-out its minority shareholders, fund the expansion of its tourism-related realty projects and to pay down its debts. RCI sold its 31% equity ownership in RHI to First Pacific Natural Resources Holdings BV (First Pacific), a Hong Kong-based company, on November 29, 2013. Proceeds from the sale amounted to P2,220.4 million and led to a gain of P6,316.9 million. As a result, RCI's consolidated net income increased by 430% to ₱2,289.2 million.

RCI remains as a major shareholder at 35% of RHI while First Pacific has 34% equity ownership as it acquired additional shares of stock of RHI from other stockholders. RCI's investment in RHI shall hence be deconsolidated as a Subsidiary and reclassified to Investment in Associate.

Results of Operation

Consolidated revenues for the fiscal year amounted to ₱217.6 million or 201% higher than last year's ₱108 million due to higher revenues from Roxaco Land Corporation's (RLC's) Anya Resort and Landing Townhomes projects. RLC rationalize the basis of recognizing revenues from its real estate sales from 25% to 10% of collected sales. Management believes that at 10% collection, sales collectability is reasonably assured and the risks and benefits over the asset have been transferred to the buyer.

Gross profit for the fiscal year amounted to ₱112.0 million or 51% of revenue. The Gross profit rate is slightly lower than last year's 68% due to the increase in the cost of development.

Operating expenses of ₱80.6 million is 10% lower than last year due to cost cutting measures implemented during the year and lower number of managerial employees, resulting to lower salaries and other employee benefits.

Selling and marketing expenses amounting to ₱20.1 million is higher by 5% than last year due to commissions and marketing expenses incurred by the property group for its Anya Resort project.

Equity in net earnings of associate and a joint venture as of fiscal year end amounted to ₱197.0 million, which went up largely due to recognition of RHI as an Investment in associate at equity method.

Interest expenses of ₱15.5 million is 40% lower than last year due the prepayment of ₱250.0 million of long-term borrowings of the Parent Company.

Net Income from discontinued operation amounted to ₱42.0 million and 91% lower than last year due to deconsolidation of RHI from RCI starting December 2013.

Overall, the Group registered a consolidated net income of ₱2,289.2 million, substantially higher than ₱431.8 million last year due to the gain on the sale of investment in RHI and improved results of operations. Earnings per Share (EPS) increased from ₱0.09 to ₱1.18.

For the Fiscal Year ended September 30, 2014, the Group recorded the highest, Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) amounting to ₱2,418.6 million compared to ₱1,137.8 million last year.

Financial Condition

Consolidated total assets amounted to ₱7,472.5 million, 63% lower than last year's ₱20,240.8 million as a result of the deconsolidation of RHI.

Current ratio this year improved from 2.01:1 to 2.85:1. Debt to equity (D/E) ratio likewise improved to 0.08:1 compared to last year's 1.02:1, within the allowable 0.75:1 DE ratio required in the debt covenant for term loans.

The Group likewise has existing credit lines/facilities with banks for its working capital requirements. Unused working capital lines as at September 30, 2014 amounted to ₱678.7 million.

Book value per share is ₱3.61 and ₱3.45 as at September 30, 2014 and 2013, respectively.

Cash and cash equivalents amounted to ₱139.8 million. Proceeds from sale of the Parent Company's 31% equity in RHI to First Pacific Company, Ltd., on November 29, 2013, was used for the acquisition of treasury shares of the Parent Company, payment of long-term loans and financing the capital and short-term requirements of the Group.

Total trade and other receivables, inventories and trade payables dropped in September 30, 2014 as a result of the deconsolidation of RHI.

Real estate for sale and development increased by 14% from ₱387.9 million as at September 30, 2013 to ₱441.0 million as at September 30, 2014 due to construction and development costs incurred for the Anya Resorts project.

Other current assets went down to ₱70.0 million as at September 30, 2014. Bulk of the ₱538.5 million balances as at September 2013 pertains to input taxes and CWT of the Sugar Group.

Investment in an associate increased to ₱2,167.4 million as at September 30, 2014 from ₱757.6 million as at September 30, 2013 mainly due to the reclassification of the investment in RHI and investment in the Roxaco-Vanguard Hotels Corporation amounting to ₱155.0 million.

Short and long term borrowings substantially declined as a result of the deconsolidation of RHI and RCI's prepayment of P250 million of its term debt.

Moreover, the Company has adopted the amendments in PAS 19, Employee Benefits resulting to recognition of net retirement liability amounting to ₱6.7 million.

Total equity decreased by 31% from ₱10,040.3 million to ₱6,933.0 million as a result of the sale of the investment in RHI and the buyback of treasury shares.

Top Five Performance Indicators

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

1. *Realized gross profit (RGP) on sale of developed real estate (lots only).* This is recognized in full when the collection of the total contract price reached 10%. At this stage, it is reasonably assured that the risks and benefits over the developed assets have been transferred to the lotbuyer.

2. *Number of lots sold*. The lot sold and the terms of the sale will determine when income would be recognized and how much is the potential income to the Company.

3. *Collection efficiency on trade receivables*. Income recognition is a factor of collection, plus the interest income component.

4. *Earnings before interest, taxes and depreciation (EBITDA)* - This is the measure of cash income from operations.

5. *Return on Equity* - denotes the capability of the Company to generate returns for the shareholders.

The table below presents the top five performance indicators of RLC:

Performance Indicator	**2014**	**2013**	**2012**
Realized gross profit on real estate sales	₱94 million	₱48.8 million	₱54.3 million
Number of lots sold / reserved	119 units residential/ 72 memorial	121 unit residential/ 164 memorial	85 lots residential/ 127 memorial
Collection efficiency	98%	99%	99%
EBITDA	₱2,418.6 million	₱1,137.8 million	₱1,194.7 million
Return on equity	33%	4%	5%

Key Variable and Other Qualitative and Quantitative Factors

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

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

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

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

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

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

financial statements.

7. Description of material commitments for capital expenditures:

For FY 2014-2015, RLC has programmed ₱919 million for project development costs of which ₱737 million is for Anya Resorts and ₱182.0 million is for new projects.

Plan of Operation

To establish the property operation's continued growth and to ensure its viability, management intends to push through with the following plans and projects:

- Complete the land development of the two current Batangas residential projects, Landing Townhomes and Orchards Phase II, including townhomes and houses due for completion.
- Complete the development of phase two of Anya Resort and Residences.
- Formally launch Anya Resort and Residences phase three and break ground for its construction.
- Aggressively pursue acquisition of new properties within greater Metro Manila for potential Low-to-medium-density residential development.
- Complete the construction of the 1st Go Hotel property, a joint venture project with Vanguard, which will be opened by May 2015 and start the construction of the other 4 properties with target completion in the year 2016.
- Increase ownership in Fuego Hotels up to 100% (now 75%) and enlarge its property management operations through investment or partnership.

FISCAL YEAR 2012-2013

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

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

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

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

Results of Operation

The Group's consolidated revenues for the fiscal year ended September 30, 2013 amounted to ₱6,172.5 million. This is 21% lower than the ₱7,769.6 million revenues generated in 2012 due to softening of the market. Consolidated raw sugar sales for the fiscal year ending September 30, 2013, amounted to ₱1,577.3 million while refined sugar sales refined sugar sales totaled ₱3,728.4 million. The rest came from alcohol, molasses and real estate sales and refining services.

Cost of sales amounted to ₱4,484.6 million, 25% lower than last year's ₱5,997.4 million due to lower sales volume.

As a result, gross profit amounted to ₱1,687.9 million with improved gross profit rate of 27% against last year's 23%.

Operating expenses for the period amounted to ₱712.3 million. This is 17% better than last year's ₱855.6 million. The decrease is due to lower salaries and wages due to the redundancy program, lower provision for doubtful accounts and provisions for taxes.

Equity in net earnings went up by 44% to ₱67.0 million for the fiscal year ending September 30, 2013, from ₱47.1 million for the fiscal year ending September 30, 2012, due to lower cost of production of an associate company.

Selling expenses amounted to ₱59.5 million this year, 49% lower than ₱78.5 million incurred last year. This is due to lower salaries as a result of the redundancy program.

Net Interest costs amounted to ₱416.4 million, 17% lower than last year's ₱ 502.7 million. This is due to reduction in debts levels, lower interest rates and the change in the interest rate from fixed rate to a floating rate as negotiated by Management with creditor banks.

Other Income amounted to ₱104.7 million, 272% better than ₱62.3 million loss as restated figure for 2012. In September 2012, RCI executed a Deed of Assignment, Warranties and Undertaking covering 75.12 hectares of land in Hacienda Palico located at Brgy. Cogonan, Nasugbu, Batangas for a total consideration of ₱12.0 million transferring ownership to farmer beneficiaries by way of expropriation by the Philippine Government. The property is carried at fair value of ₱202.6 million as of September 2012 report. On June 6, 2013, the company received the compensation on the expropriated property. The expropriation was recognized as 2012 transaction which required prior period adjustment in 2013 recognizing the loss on expropriation amounting to ₱190.1 million, the difference between the fair value and the compensation received from the government.

Overall, the group registered a consolidated net income of ₱431.8 million, 9% lower than last year's restated figure of ₱474.9 million. This is equivalent to an earnings per share of ₱0.09 and ₱0.08 in September 30, 2013 and 2012, respectively.

For the Fiscal Year ending September 30, 2013, the Group recorded the highest, Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) amounting to ₱1,137.8 million compared to ₱1,194.7 million for the fiscal year September 30, 2012.

Financial Condition

Consolidated resources of the Group stands at ₱20,240.8 million and ₱19,465.0 million as at September 30, 2013 and 2012 respectively. Consolidated current assets went up from ₱2,693.7 million to ₱4,131.6 million. On the other hand, consolidated current liabilities went down from ₱2,683.4 million to ₱2,059.6 million.

The Group's current ratio went up from 1.00:1 in September 2012 to 2:01:1 in September 2013. Debt to equity ratio for the period ending September 30, 2013 is at 1.02:1 which within the allowable 2.33:1 ratio required in the debt covenant with the banks.

The Group likewise has existing credit lines/facilities with banks to meet working capital requirements. Unused working capital lines as at September 30, 2013 and September 30, 2012 from local banks amounted to ₱2,922.5 million and ₱892 million, respectively.

Book value per share is ₱3.45 and ₱3.37 as at September 30, 2013 and 2012, respectively. There are no:

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

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

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

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

Cash and cash equivalents amounted to ₱198.6 million and ₱199.5 million as at September 30, 2013 and 2012, respectively.

Total receivables, went up by 63% from ₱895.2 million in September 2012 to ₱1.455.7 million as of September 2013. This is due to sales generated at latter part of fourth quarter in 2013 due to the softening of the market.

Total inventories as at September 30, 2013 was ₱1,550.9 million, 99% higher than the ₱779.3 million inventory level as at September 30, 2012. The increase was due to higher refined sugar inventory (resulting from market softening) and alcohol.

Real estate for sale and development increased by 14% from ₱341 million as at September 2012 to ₱387.9 million as at September 2013. This is mainly to land acquisition and development costs incurred for Anya Resorts.

The 12% increase in prepayments amounting to ₱59.4 million was due to accumulated VAT input taxes on capital expenditures / plant expansion and ethanol plant construction.

Investment in associates increased to ₱757.6 million from ₱712.5 million in previous period due to equity in net earnings of HPCo. this year.

Net pension plan assets decreased by nil this year from ₱82.9 million last year.

Deferrred Tax Assets decreased from ₱153.8 million in 2012 to ₱38.1 million in 2013 due to expiration of tax benefit of net loss carry over for 2011.

Other non-current assets decreased to ₱17.2 million from ₱37.6 million due to reclassification of long- term portion of CADPI employees' loans to current portion.

Trade and other payables decreased to ₱733.9 million as of September 30, 2013 or a 4% decrease from ₱767.6 million as at September 30, 2012 due to lower trade payables and accruals.

Short-term borrowings amounted to ₱1,064.0 million as at September 2013, 35% lower than the ₱1,638.0 million level in 2012 due to payments and conversion to long term debts. On the other hand, total long- term borrowings amounted to ₱7,211.3 million, 19% higher than last year due to availments and conversion.

The net retirement liability increased from ₱134.8 million to ₱231.8 million as at September 30, 2013 and 2012, respectively.

Total equity posted at ₱10,040.3 million as at September 30, 2013, this is slightly higher than ₱9.822.6 million as of September 30, 2012.

Batangas Operations

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

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

Negros Operations

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

Top Five Performance Indicators- Sugar Group

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

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

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

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

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

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

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

Performance Indicator	**2012-2013**	**2011-2012**	**2010-2011**
Raw sugar production	6.825 M bags	6.491 M bags	6.109 M bags
Refined sugar production	2.395 M bags	2.258 M bags	2.137 M bags
Ethanol Production	15.127 M ltrs.	11.123 M ltrs.	
Milling recovery	2.040 Lkg/TC	1.895 Lkg/TC	1.880 Lkg/TC
EBITDA	₱1.763 billion	₱1.615 billion	₱793 million
Return on equity	8%	11%	-7%

Top Five Performance Indicators – Property Group

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

- Realized gross profit (RGP) on sale of developed real estate (lots only). This is recognized in full when the collection of the total contract price reached 25%. At this stage, it is reasonably assured that the risks and rewards over the developed assets have been transferred to the lotbuyer.

- Number of lots sold. The lot sold and its terms of sale will determine when would be recognized and how much is the potential income to the Company.

- Collection efficiency on trade receivables. Income recognition is a factor of collection, plus the interest income component.

- Earnings before interest, taxes and depreciation - This is the measure of cash income from operations. Return on Equity – denotes the capability of the Company to generate returns for the shareholders.

The table below, presenting the top five performance indicators of Roxaco in three fiscal years, shows general improvement in the financial and operating results:

Performance Indicator	**2012-2013**	**2011-2012**	2010-2011
Realized gross profit on real estate sales	₱ 48.8 Million	₱ 54.3 Million	₱ 25.0 Million
Number of lots sold / reserved	121 unit residential / 164 memorial	85 lots residential / 127 memorial	194 lots
Collection efficiency	99%	99%	98%
EBITDA	(₱ 2,353 million)	₱ 25.5 million	₱ 15.10 million
Return on equity	(1.97%)	2.35%	1.95%

Key Variable and Other Qualitative and Quantitative Factors

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

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

3. The company is not aware of any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships

of the Company with unconsolidated entities or other persons created during the reporting period.

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

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

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

Plan of Operation- Sugar Group

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

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

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

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

- Maximizing the use of cheaper fuel alternatives, etc.

Plan of Operation – Property Group

To establish the property operation's continued growth and to ensure RLC's viability, management intends to push through with the following plans and projects:

- Complete the land development of the two (2) current Batangas residential projects, Landing Townhomes and Orchards Ph2.

- Complete the development of phase one (open lot phase) of Anya Resort and Residences and turn over to the homeowners' association.
- Formally launch Anya Resort and Residences phase two and break ground for the construction of the resort core.

- Aggressively pursue acquisition of new properties within greater Metro Manila for potential low-to-medium-density residential development.

- Form Joint Venture with Vanguard Hotels for the construction and operation of five Go Hotel properties within Metro Manila.

PART III – MANAGEMENT AND SECURITY HOLDERS

1. Incumbent Directors and Officers of the Issuer

Pedro E. Roxas is 58 years old and is a Filipino. Mr. Roxas is the Chairman of the Nomination, Election and Governance Committee and is a member of the Compensation Committee. He has been a Director of the Company since 18 October 1995. He is currently the Executive Chairman of the Board and the President and Chief Executive Officer of the Company. He is the Chairman of Roxas Holdings, Inc. and other subsidiaries of RHI, Hawaiian-Philippine Company, Club Punta Fuego and Roxaco Land Corporation. He is a Director of Brightnote Assets Corporation, PLDT, Meralco and BDO Private Bank. Mr. Roxas is the President of Philippine Sugar Millers Association, Inc., Fundacion Santiago and Roxas Foundation and he is a Trustee of the Philippine Business for Social Progress. Mr. Roxas was educated at Portsmouth Abbey School, USA and at the University of Notre Dame, USA where he obtained his degree in Business Administration. Mr. Roxas is married to Regina Tambunting and they have three (3) children.

Antonio J. **Roxas** is 72 years old and is a Filipino. Mr. Roxas is a member of the Nomination, Election and Governance Committee. He has been a Director of the Company since 18 October 1995. Mr. Antonio J. Roxas is also the Chairman Emeritus of Roxas Holdings, Inc., and a director of Central Azucarera Don Pedro, Inc. Mr. Roxas was educated at the University of Notre Dame in Indiana, USA where he obtained his diploma in Bachelor of Science in Commerce and was trained at the Standard Chartered Bank of London, the Shell Company in Paris and the Olavarria & Co. and Lowry & Co., Inc. of New York, USA.

Corazon S. De la Paz-Bernardo is Honorary President of the International Social Security Association (ISSA), an affiliate of the International Labor Organization and based in Geneva, Switzerland. She had served as President of the ISSA from 2004 to 2010, the first woman and first non-European to be elected as such, since its founding in 1927, and as the first woman President of the Social Security System of the Philippines from 2001 to 2008. She is also the first woman, anywhere in the world, to be elected in 1973 partner of Price Waterhouse International in its over 100-year history. She was Chairman and Senior Partner of Joaquin Cunanan & Co. (PricewaterhouseCoopers, Philippines) for twenty years from 1981 to 2001 and was in the World Board of Price Waterhouse World Firm from 1992 to 1995. Mrs. de la Paz-Bernardo was Chairperson of Equitable PCI Bank from 2006 until its merger with Banco de Oro in 2007. She had served as a member of the board of several listed Philippine corporations such as San Miguel Corp., PLDT, Ayala Land and Philex Mining. She is Chairman of NAMFREL, (the National Citizen's Movement for Free Elections) and Vice-Chairperson of Jaime V. Ongpin Foundation. She is also a member of the Cornell University Council, the Board of Trustees of the University of the East, the UE Ramon Magsaysay Memorial Medical Center, Miriam College, the Makati Business Club and other non-governmental organizations. Mrs. de la Paz-Bernardo, a Certified Public Accountant, graduated from the University of the East with a Bachelor of Business Administration degree in 1960, Magna Cum Laude, and obtained first place in the same year's CPA board examination. She obtained her MBA in 1965 from Cornell University in New York as a Fullbright grantee and UE scholar.

Carlos R. Elizalde is 46 years old and is a Filipino. He has been a member of the Board of Directors since 20 November 2002. Mr. Elizalde is the President of ELRO Commercial and Industrial Corp. and ELRO Land Corp., Vice-President of ELRO Trading Corp. and Bais Multifarms, Inc. He is director of SPCI Holdings, Inc., Central Azucarera de la Carlota, Inc., Association Agricola de Bais y Tanjay and BATAMA Marketing Cooperative. Mr. Elizalde was educated at the College of Vermont in Burlington Vermont, USA with a degree in Bachelor of Science in Agricultural Economics.

Francisco Jose R. Elizalde is 48 years old and is a Filipino. He was elected as member of the Board of Directors on 25 June 2009. Mr. Elizalde is the Managing Director of ELRO Corporation and Vice President of its Consumer Goods Business Unit. He is a Director in SPCI Holdings, Inc., ELRO Trading Corporation, ELRO Land, Inc., Bais Multi Farms, Inc., Twenty Four Hours Vendo Machine Corporation, Roxaco Land Corporation, Club Punta Fuego, Inc., and Mutual Fund Management Company of the Philippines, Inc. Mr. Elizalde was educated at Portsmouth Abbey School, USA and at the University of Vermont, USA where he obtained a degree in Bachelor of Science.

Guillermo D. Luchangco is 74 years old and is a Filipino. Mr. Luchangco is the Chairman of the Compensation Committee of RCI. He is the Chairman and Chief Executive Officer of the ICCP Group of Companies which includes: Investment & Capital Corporation of the Philippines, Pueblo de Oro Development Corporation, Regatta Properties, Inc., ICCP Venture Partners, Inc., Cebu Light Industrial Park, Inc., RFM-Science Park of the Philippines, Inc., and ICCP Land Management, Inc.; Chairman and President of Beacon Property Ventures, Inc.; Chairman of Manila Exposition Complex, Inc. He is a Director of Globe Telecom, Inc., Phinma Corp., Phinma Property Holdings Corp., Ionics, Inc., Ionics EMS, Inc., Ionics EMS, Ltd., Ionics Properties, Inc., Remec Broadband Wireless, Inc. and Science Park of the Philippines, Inc. Mr. Luchangco is an independent director of the Company and he possesses all the qualifications and none of the disqualifications of an independent director since he was first nominated and elected to the Board of Directors on 18 November 2009.

Renato C. Valencia is 72 years old and is a Filipino. He was elected as a member of the Board of Directors on 07 October 2010. A former Director of RCI prior to its merger with CADP Group Corporation, he is presently the President & CEO of Roxas Holdings, Inc., Director of Metropolitan Bank & Trust Company, Member of the Phil. Coca-Cola System Council, Chairman of i-People, Inc., Director of Anglo-Philippine Holdings Corporation, Board Adviser of Philippine Veterans Bank, Chairman of Hypercash Payment Systems, Inc., Chairman of Bastion Payment Systems, Inc. and Vice-Chairman of Asia Pacific Network Holdings, Inc.

The directors hold office for a term of one (1) year until their successors are elected and qualified.

Corporate Officers

Armando B. Escobar is 54 years old and is a Filipino. He is the Vice President - Chief Finance Officer, Treasurer & Risk Management Officer of the company. He was formerly the Group President and Chief Operating Officer of Moldex Group of Companies and Vitarich Corporation. He was formerly Senior Vice President and Chief Operating & Special Accounts Management Group Head of Philippine Bank of Communications, Director of Bancnet, Inc. Mr. Escobar obtained his Bachelor of Science in Business Management in Ateneo de Manila University, MBA units in University of the

Philippines, Executive Business Program in Harvard Business School and Post-Graduate course in Strategic Business Economics Program in University of Asia and Pacific.

Peter D. A. Barot is 52 years old and is a Filipino. He is the Corporate Secretary of the Company. He obtained his Bachelor of Arts (Economics) and Bachelor of Laws from the University of the Philippines, and his Master of Laws from the University of Chicago. He is a Partner at the Picazo Buyco Tan Fider & Santos Law Offices.

Alezandro S. Casabar is 34 years old and is a Filipino. He is the Assistant Corporate Secretary and Compliance Officer of the Company. He is also the Legal Services Manager of Roxaco Land Corporation, the real property arm of the Company. He obtained his Bachelor of Laws degree from San Beda College and his Bachelor of Arts degree from the University of the Philippines – College Baguio.

Significant Employees

While the Company is not highly dependent on the services of an employee who is not an Executive Officer, the Company values its human resources and expects them to do their share in achieving its objectives.

Family Relationships

Messrs. Pedro E. Roxas, Antonio J. Roxas, Carlos R. Elizalde, and Francisco Jose R. Elizalde are related to each other within the fourth degree of consanguinity.

Messrs. Francisco Jose R. Elizalde and Carlos R. Elizalde, who are brothers, are nephews of Mr. Antonio J. Roxas.

Legal Proceedings

The Company is not aware, and none of the directors/independent directors, officers and persons nominated for election as director/independent director has informed the Company, of their involvement in any material pending legal proceedings in any court or administrative government agency, or of any of the following events:

(a) any bankruptcy petition filed by or against any business of which a director/independent director, officer or person nominated for election as director/independent director was a general partner or executive officer either at the time of bankruptcy or within two years prior to that time;

(b) any conviction by final judgment in a criminal proceeding, domestic or foreign;

(c) any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any director/independent director, officer or persons nominated for election as director/independent director in any type of business, securities, commodities or banking activities; and

(d) any final finding by a domestic or foreign court, the Securities and Exchange Commission or comparable foreign body, or any quasi-judicial or regulatory body, that any director / independent director, officer or any person nominated for election as director / independent director, has violated a securities or commodities law or regulation.

Certain Relationships and Related Transactions

As part of the corporate reorganization of the Roxas Group, the Company's stockholders approved the following in 2008: (i) the sale to Roxas Holdings, Inc. (RHI) of sugar-related assets, liabilities and all interests of CADPGC in sugar-related operating subsidiaries and associate; and (ii) the merger of RCI and CADPGC.

Messrs. Antonio J. Roxas, Pedro E. Roxas, and Francisco Jose R. Elizalde, who are incumbent directors of the Company, were also directors of the absorbed company, RCI. They, together with director Carlos R. Elizalde, are members of the Roxas family which owns RCI prior to its merger with CADPGC.

Messrs. Pedro E. Roxas and Antonio J. Roxas, incumbent directors of the Company, are also directors of RHI. As of 30 September 2014, the Company owns 35% of the total issued and outstanding capital of RHI.

Other than the foregoing, 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.

Parent Company

As of 30 September 2014, the Company directly owns 35% of the total issued and outstanding shares of Roxas Holdings. Inc. (RHI), and 100% of the issued and outstanding shares of Roxaco Land Corporation (Roxaco), Nasugbu Feeds Corporation and United Ventures Corporation.

RHI, a publicly-listed company, owns 100% of the issued and outstanding shares of Central Azucarera Don Pedro, Inc. (CADPI), Central Azucarera de la Carlota, Inc. (CACI), Roxol Bioenergy Corporation. It also has interests in Hawaiian-Philippine Company (45.09%), Najalin Agri-Ventures, Inc. (77.27%) and Roxas Power Corporation (50%).

Roxaco owns 100% of the total and outstanding shares of Roxaco Commercial Philippines. It has interests in Fuego Development Corporation (30%), Fuego Land Corporation (30%), Roxaco-ACM Development Corporation (50%), Club Punta Fuego, Inc. (26.36%), Fuego Hotels Properties and Management Corporation (75.33%) and Brightnote Assets Corporation (10%).

Disagreement with the Company

No director has resigned or declined to stand for re-election to the Board of Directors since the date of the last meeting of shareholders because of a disagreement with the Company on any matter relating to its operations, policies and practices.

2. Executive Compensation

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

a) Section 7 of Art. 3 of the Amended By-Laws of the Company provides that the members of the Board of Directors and the Executive Committee shall be given a per diem for every meeting attended in such amount as may be determined by the Board of Directors but in no case shall said remuneration exceed two (2%) of the net income of the Company before tax. Presently, the members of the Board of Directors receive ₱25,000 for every meeting attended. A director of the Company who attends all regular quarterly meetings receives a total of ₱100,000.00 annually. Each of the members of the three committees--(i) Audit and Risk; (ii) Nomination, Election and Governance; and (iii) Compensation--also receive a per diem of ₱20,000.00 per meeting. No warrants and options have been granted to the directors and officers within the past three (3) years.

b) Compensation of Executive Officers

	Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation*
		2011-12			
A	Pedro E. Roxas – Executive Chairman, President and CEO[9]		₱ -	₱ -	₱50,000
B	Armando B. Escobar – VP, CFO and Risk Management Officer, Treasurer [12]		-	-	-
C	Fritzie P. Tangkia-Fabricante – AVP for Legal Affairs / Compliance Officer[13]		-	-	-
D	CEO and Top Four Executives		2,890,625	-	540,000
E	All officers & directors as group unnamed		₱2,890,625	₱ -	₱590,000
		2012-13			
A	Pedro E. Roxas – Executive Chairman, President and CEO		₱ -	₱ -	₱95,000
B	Armando B. Escobar – VP, CFO and Risk Management Officer, Treasurer		-	-	-
C	Alezandro S. Casabar – Legal Manager / Compliance Officer		-	-	-
D	CEO and Top Four Executives		3,772,947	-	695,000
E	All officers & directors as group unnamed		₱3,772,947	₱ -	₱790,000
		2013-14			

[9] With the resignation of Mr. Francisco F. Del Rosario, Jr.,Mr. Pedro E. Roxas was designated as Acting President and Chief Executive Officer on 07 October 2010 and was subsequently elected as President and CEO on 17 November 2010

[12] Mr. Sumagang resigned effective April 15, 2012. Mr. Armando Escobar was appointed VP-CFO effective May 2, 2012.

[13] Atty. Fritzie Fabricante resigned effective February 6, 2012.

Name and Principal Position		Year	Salary	Bonus	Other Annual Compensation*
A	Pedro E. Roxas – Executive Chairman, President and CEO		₽ -	₽ -	₽150,000
B	Armando B. Escobar – VP, CFO and Risk Management Officer, Treasurer		-	-	-
C	Alezandro S. Casabar – Legal Manager / Compliance Officer		-	-	-
D	CEO and Top Four Executives		1,526,880	-	679,730
E	All officers & directors as group unnamed		₽1,526,880	₽ -	₽829,730

*Director's fees

There are no employment contracts executed by the Company with the above-named executive officers. Neither is there any other arrangement or compensatory plan between the Company and the above-named executive officers.

c) Estimated Compensation and Bonus for FY 2014-2015

The estimated compensation and bonus of the directors and present officers of the Company for fiscal year 2014-2015 are as follows:

		Salary	Bonus	Other Annual Compensation
A	Pedro E. Roxas – Executive Chairman, President & CEO	₽ -	₽ -	₽350,000
B	Armando B. Escobar – VP, CFO and Risk Management Officer, Treasurer	-	-	-
C	Alezandro S. Casabar – Legal Services Manager / Compliance Officer	-	-	-
CEO AND top 4 executives		710,600	2,380,000	460,000
All Officers and directors as group		₽ 710,600	₽2,380,000	₽810,000

The fiscal year of the Company begins on 01 October of every year and ends on 30 September of the following year.

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

(a) Security ownership of certain record and beneficial owners of more than 5% of the Company's securities, both listed and not listed, as of 30 September 2014:

Title of Class	*Name and Address of Owner/Relationship with Issuer*	*Name of Beneficial Ownership and Relationship with Record Owner*	*Citizenship*	*Number and Nature of Ownership*	*Percent of Class*[17]
Common	SPCI Holdings, Inc. Unit 1701, The Peak Tower 107 Leviste St., Salcedo Village, Makati City	SPCI Holdings, Inc.[18]	Philippine National	642,779,593 (direct)	33.45%
Common	Antonio J. Roxas 7/F CG Building 101 Aguirre Street, Legaspi Village, Makati City Director	Antonio J. Roxas	Filipino	500,000,000 (direct)	26.02%
Common	Pedro E. Roxas 7/F CG Bldg., 101 Aguirre St., Legaspi Village, Makati City Executive Chairman President & CEO	Pedro E. Roxas/ Pesan Holdings, Inc.	Filipino/ Philippine National	341,532,301 (direct & indirect)	17.73%
Common	PCD Nominee Corporation	PCD Nominee Corporation	Non-Filipino	273,437,529	14.23%
Common	Beatriz Olgado Roxas Unit 3201 Regent Parkway Condominium, 21st Drive Bonifacio Global City Taguig, City	Beatriz Olgado Roxas	Spanish	125,210,092	6.52%
TOTAL				**1,882,959,515**	**97.99%**

[17] The percentages of shareholding were arrived at by dividing the number of shares owned, directly and indirectly, by the shareholders over 2,911,885,870 common shares, the total outstanding shares as of 30 September 2014.

[18] Messrs. Francisco Jose R. Elizalde and Carlos R. Elizalde, directors of the Company, each owns 24.99% of the total outstanding shares of SPCI Holdings, Inc. (SPCI). Collectively, the Board of Directors of SPCI consisting of its 6 shareholders has the power to decide on how the shareholdings of SPCI in the Company shall be voted.

Except as stated above and in the related footnotes, the Board of Directors and the Management of the Company have no knowledge of any person who, as of 30 September 2014, was directly or indirectly the beneficial owner of, or who has voting power or investment power with respect to, shares comprising more than five percent (5%) of the Company's outstanding common stock.

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

The following table sets forth the number of shares, listed and not listed, owned of record and/or beneficially owned by the directors, independent directors, the Chief Executive Officer and the key officers of the Company, and the percentage of shareholdings of each as of 20 September 2014:

Title of Class	*Name of Beneficial Owner*	*Citizenship*	*Number and Nature Of Ownership*	*Percent of Class*
Common	Pedro E. Roxas Executive Chairman President / CEO	Filipino	343,500,327 (direct & indirect)	11.80 %
Common	Antonio J. Roxas Director	Filipino	643,945,909 (direct)	22.11%
Common	Beatriz O. Roxas[19] Director	Spanish	257,579,335 (direct)	8.85%
Common	Carlos Antonio R. Elizalde[20] Director	Filipino	1,200,320 (direct)	0.04%
Common	Francisco Jose R. Elizalde[22] Director	Filipino	1,203,013 (direct)	0.04%
Common	Corazon S. Dela Paz-Bernardo Independent Director	Filipino	1,000 (direct)	0.00%

[19] Resigned from the Board of Directors on 11 December 2013.
[20] Messrs. Carlos R. Elizalde and Francisco Jose R. Elizalde each owns 24.99% of the total outstanding shares of SPCI Holdings, Inc. (SPCI). SPCI, in turn, owns 642,779,593 or 22.07% of the Company's shares.

22 Please see footnote no. 4.
22 Resigned from the Board of Directors on 11 December 2013

Common	Guillermo D. Luchangco Independent Director	Filipino	1,000 (direct)	0.00%
Common	Renato C. Valencia Director	Filipino	1,000 (direct)	0.00%
Common	Eduardo R. Areilza[24] Director	Spanish	1,000 (direct)	0.00%
Common	Armando B. Escobar Vice-President / Chief Finance and Risk Management Officer/Treasurer	Filipino	0	0.00%
Common	Peter D. A. Barot Corporate Secretary	Filipino	0	0.00%
Common	Alezandro S. Casabar Asst. Corp. Secretary	Filipino	0	0.00%
Common	**Directors and Officers As a Group**		**1,247,432,904**	**42.84%**

(3) Voting Trust Holders of 5% or More.

The Company is not aware of any voting trust or similar arrangement among persons holding more than 5% of the shares.

d) Change in Control

There has been no change in control since the beginning of the last fiscal year. The Company is also not aware of the existence of any change in control agreements.

24 Resigned from the Board of Directors on 11 December 2013

PART IV - EXHIBITS AND SCHEDULES

Exhibits and Reports on SEC Form 17-C.

(a) Exhibits

Certified Consolidated Financial Statements for 2013-2014

(b) Reports on SEC Form 17-C.

CORPORATE GOVERNANCE

The Board approved the Company's Revised Manual on Corporate Governance on 08 December 2009 in conformity with Memorandum Circular No. 6, Series of 2009 issued by the Securities and Exchange Commission (SEC). Since the effectivity of the Company's original Manual on Corporate Governance on 01 January 2003, the Company has complied with the principles contained in the Manual, both the original and the revised, insofar as they may be relevant to the Company's business. The Company 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. The evaluation system basically consists of determining the Company's compliance with certain best practices act such as the observance of the basic rights of shareholders, equitable treatment of shareholders, recognizing the shareholders' role in corporate governance, timely disclosure and transparency and Board responsibility. 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 Audit & Risk Committee, Compensation Committee, and Governance, Nomination and Election Committee, the election of the required number of independent directors to its Board of Directors, the amendment of Section 2 of Article II of its By-Laws dealing on the qualifications and disqualifications of its directors in order to adopt the provisions of the Manual which deal on the qualifications and disqualifications of directors.

On 07 August 2014, upon the directives of the SEC through Memorandum Circular No. 9, Series of 2014, the Board approved the revised Manual on Corporate Governance. The Company has not deviated from or violated the provisions of the Manual. The Company undertakes to improve its corporate governance practices as may be required by law or the exigency of the business.

OTHER MATTERS

The following reports/minutes of meetings will be submitted for ratification/approval by the stockholders in the Annual Stockholders' Meeting scheduled on 25 February 2015:

a) Chairman's Report and the Consolidated Audited Financial Statements for the fiscal year ending 30 September 2014;

b) Minutes of the Annual Meeting of Stockholders held on 26 February 2014.

The minutes of meeting of the 26 February 2014 annual meeting of shareholders will be made available to all shareholders on the day of the annual meeting. Essentially, the minutes of the annual meeting contains the following:

(i) reading and approval of the minutes of the 26 February 2014 annual meeting of shareholders;

(ii) presentation and approval of the 30 September 2013 annual report to shareholders;

(iii) approval and ratification of all acts and resolution of the Board of Directors since the annual meeting of shareholders on 26 February 2014;

(iv) the elected members of the Board of Directors for fiscal year 2013-2014; and

(v) the external auditor for fiscal year 2013-2014.

c) Acts/Resolutions of the Board of Directors since the 26 February 2014 annual meeting of shareholders, which include the following:

(i) Acts/resolutions approved during the 26 February 2014 Organizational Meeting of the Board of Directors. At the Organizational Meeting, the Board of Directors elected Ms. Corazon S. De La Paz-Bernardo to be an independent director of the Company. The Board also elected the following as officers of the Company:

Pedro E. Roxas	-	Chairman/President & CEO
Armando B. Escobar	-	Vice President & CFO/Treasurer
Atty. Peter D. Barot	-	Corporate Secretary
Atty. Alezandro S. Casabar	-	Assistant Corporate Secretary Compliance Officer Corporate Information Officer
Virginia R. Alcaide	-	Alternate Corporate Information Officer

The following Directors were elected to the Audit, Compensation and Nomination Committees:

<u>Audit & Risk Committee</u>

Corazon S. De La Paz-Bernardo	-	Chairman (Independent Director)
Renato C. Valencia	-	Member
Francisco Jose R. Elizalde	-	Member

<u>Executive Compensation Committee</u>

Guillermo D. Luchangco	-	Chairman (Independent Director)
Corazon S. De La Paz-Bernardo	-	Member (Independent Director)
Pedro E. Roxas	-	Member

<u>Nomination, Election & Governance Committee</u>

Pedro E. Roxas	-	Chairman
Carlos R. Elizalde	-	Member
Corazon S. De La Paz-Bernardo	-	Member (Independent Director)

(ii) Acts/resolutions approved during the 15 May 2014 regular meeting of the Board: (a) approval of the consolidated financial reports of the Company for the quarter ending 31 March 2014.

(iii) Acts/resolutions approved during the 07 August 201 regular meeting of the Board: (a) approval of the financial reports for the quarter ending 30 June 2014; (b) Revised Manual on Corporate Governance; and (c) Executive Compensation Committee Charter;

(iv) Acts/resolutions approved during the 24 September 2014 special meeting approving the proposed budget of the Company for fiscal year 2014-2015;

(v) Acts and resolutions approved during the 12 December 2014 regular meeting of the Board: (a) amending Article III of the Company's Articles of Incorporation specifying the Company's principal place of business at 7th Floor, Cacho-Gonzales Building, 101 Aguirre Street, Legaspi Village, Makati City; (c) declaration and payment of cash dividend in the sum of P0.02 per share to all shareholders of record as of 15 January 2015. The cash dividend shall be paid on 30 January 2015; (d) Setting 25 February 2015 as the date of the annual stockholders' meeting; and (e) Fixing 06 January 2015 as the record date for stockholders entitled to notice of, and to vote at, the annual stockholders' meeting;

(vi) Acts and resolutions approved during the 13 January 2015 special meeting of the Board: (a) approval of the Audited Consolidated Financial Statements for the Fiscal Year ending 30 September 2014.

VOTING PROCEDURES

(a) The vote required for the:-

(1) Approval of the Minutes of Previous Stockholders' Meeting - majority of the shares represented at the meeting
(2) Approval of the Chairman's and President's Report - majority of the shares represented at the meeting
(3) Approval of the Audited Financial Statements - majority of the shares represented at the meeting
(4) Approval of All Acts and Resolutions of the Board of Directors and Management - majority of the shares represented at the meeting
(5) Election of Directors - plurality of vote of the stockholders owning or representing a majority of the outstanding shares
(6) Election of External Auditors - plurality of the shares represented at the meeting

(7) Approval of the amendment to the Articles of Incorporation specifying the address and principal office of the Company to 7th Floor, Cacho-Gonzales Building, 101 Aguirre Street, Legaspi Village, Makati City– two-thirds (2/3) of the outstanding capital stock

(b) The method by which votes will be counted - Subject to cumulative voting in the election of directors, each stockholder shall have one vote for each share of stock entitled to vote and registered in his name at record date. Counting of votes will be done by representatives of Banco de Oro as the Company's stock transfer agent, representatives of Reyes Tacandong & Co., and the Assistant Corporate Secretary, all of whom shall serve as members of the election committee. Voting shall be done through raising of hands.

THE COMPANY UNDERTAKES TO PROVIDE WITHOUT CHARGE A COPY OF THE COMPANY'S ANNUAL REPORT ON SEC FORM 17-A UPON WRITTEN REQUEST ADDRESSED TO THE OFFICE OF THE ASSISTANT CORPORATE SECRETARY, 7/F CG BULDING, 101 AGUIRRE ST., LEGASPI VILLAGE, MAKATI CITY 1229.

SIGNATURE

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

ROXAS AND COMPANY, INC.
(formerly **CADP GROUP CORPORATION)**

By: ____________________

ALEZANDRO S. CASABAR
Assistant Corporate Secretary

13 January 2015

ANNEX A

REPORT OF INDEPENDENT AUDITORS
CONSOLIDATED BALANCE SHEETS
CONSOLIDATED STATEMENTS OF INCOME
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
CONSOLIDATED STATEMENTS OF CASH FLOWS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Roxas and Company, Inc. and Subsidiaries is responsible for the preparation and fair presentation of the financial statements for the year ended September 30, 2014, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of 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 financial statements and submits the same to the stockholders.

Reyes Tacandong & Co., the independent auditors appointed by the stockholders for the year ended September 30, 2014, respectively, have audited the 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 audit.

Issued in Makati on January 14, 2015.

PEDRO E. ROXAS
Chairman & President

ARMANDO B. ESCOBAR
VP-Chief Finance Officer

SUBSCRIBED AND SWORN to me this JAN 1 4 2015 day of January 2015; affiants exhibited to me their respective Community Tax Certificates , as follows;

Armando B. Escobar	02280909	February 27, 2014	Makati City	SSS 03-6432908-7
Pedro E. Roxas	02271830	February 17, 2014	Makati City	SSS 02-6432908-7

Doc No. 100
Page No. 20
Book No. 71
Series of 2015

ATTY. DWIGHT M. GALARRITA
NOTARY PUBLIC
APPOINTMENT NO. [illegible] MAKATI CITY
UNTIL [illegible] 31, 2015
PTR NO. 47[illegible] MAKATI CITY
IBP NO. 0983[illegible] QUEZON CITY
MCLE COMPLIANCE No. IV-[illegible] / 07-09-2013

Roxas and Company, 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
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

P	W	-	8	3	4					

Company Name

ROXAS AND COMPANY, INC. AND SUBSIDIARIES

Principal Office (No./Street/Barangay/City/Town) Province)

7th Floor, Cacho-Gonzales Building, 101 Aguirre Street, Legaspi Village, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS	CRMD	**Not Applicable**

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
boy.mamauag@cadp.com.ph	**(02) 810-8901**	**Not Applicable**

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
3,402	**4th Wednesday of February**	**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. Alezandro S. Casabar	**asc@roxaco.com**	**(632) 751-9536**	**Not applicable**

Contact Person's Address

7th Floor, Cacho-Gonzales Building, 101 Aguirre Street, Legaspi Village, Makati City

Note: 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.

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

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

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Roxas and Company, Inc. and Subsidiaries
7th Floor, Cacho-Gonzales Building
101 Aguirre Street, Legaspi Village
Makati City

We have audited the accompanying consolidated financial statements of Roxas and Company, 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 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 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 and Company, 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 and Company, 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, did not include the restatement as 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. 4748319
Issued January 5, 2015, Makati City

January 13, 2015
Makati City, Metro Manila

ROXAS AND COMPANY, 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	7	**₱139,791**	₱198,626	₱199,473
Trade and other receivables	8	**194,142**	1,455,687	895,218
Real estate for sale and development	9	**441,012**	387,943	340,533
Inventories	10	**–**	1,550,894	779,336
Other current assets	11	**70,008**	538,482	479,120
Total Current Assets		**844,953**	4,131,632	2,693,680
Noncurrent Assets				
Receivables - net of current portion	8	**2,387**	17,089	18,180
Investments in associates and a joint venture	12	**2,167,404**	757,559	712,490
Property, plant and equipment:	13			
At cost		**4,444**	7,896,575	8,383,935
At appraised values		**–**	2,758,312	2,757,810
Investment properties	14	**4,448,544**	4,624,331	4,624,562
Net deferred tax assets	27	**4,792**	38,120	153,828
Retirement assets	18	**–**	–	82,868
Other noncurrent assets		**–**	17,180	37,639
Total Noncurrent Assets		**6,627,571**	16,109,166	16,771,312
		₱7,472,524	₱20,240,798	₱19,464,992
LIABILITIES AND EQUITY				
Current Liabilities				
Short-term borrowings	15	**₱92,386**	₱1,064,027	₱1,638,000
Current portion of long-term borrowings	16	**22,500**	158,277	165,940
Trade and other payables	17	**176,173**	781,361	840,232
Dividends payable	19	**5,298**	4,444	39,230
Income tax payable		**–**	51,513	–
Total Current Liabilities		**296,357**	2,059,622	2,683,402

(Forward)

	Note	2014	2013 (As Restated - Note 3)	2012 (As Restated - Note 3)
Noncurrent Liabilities				
Long-term borrowings - net of current portion	16	**₱236,475**	₱7,211,340	₱6,056,044
Retirement liability	18	**6,729**	231,832	134,824
Net deferred tax liabilities	27	**–**	697,710	768,112
Total Noncurrent Liabilities		**243,204**	8,140,882	6,958,980
Total Liabilities		**539,561**	10,200,504	9,642,382
Equity attributable to the Equity Holders of the Parent Company				
Capital stock	19	**2,911,886**	2,911,886	2,911,886
Additional paid-in capital	19	**1,611,393**	1,611,393	1,611,393
Treasury stock	19	**(1,683,654)**	–	–
Other equity reserves		**289,263**	1,326,346	1,447,914
Retained earnings		**3,809,706**	2,328,190	2,062,907
		6,938,594	8,177,815	8,034,100
Noncontrolling Interests		**(5,631)**	1,862,479	1,788,510
Total Equity		**6,932,963**	10,040,294	9,822,610
		₱7,472,524	₱20,240,798	₱19,464,992

See accompanying Notes to Consolidated Financial Statements.

ROXAS AND COMPANY, 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 (Loss) per Share Data]

	Note	2014	2013 (As Restated - Note 3)	2012 (As Restated - Note 3)
REVENUE	22	**₱217,559**	₱107,758	₱95,106
COST OF SALES	23	**(105,579)**	(34,446)	(40,864)
GROSS INCOME		**111,980**	73,312	54,242
GAIN ON DISPOSAL OF A SUBSIDIARY	6	**2,036,038**	–	–
EQUITY IN NET EARNINGS (LOSSES) OF ASSOCIATES AND A JOINT VENTURE	12	**196,953**	392	(1,927)
GENERAL AND ADMINISTRATIVE EXPENSES	24	**(80,625)**	(89,097)	(71,030)
SELLING EXPENSES	24	**(20,106)**	(19,184)	(3,523)
UNREALIZED FAIR VALUE GAIN ON INVESTMENT PROPERTIES	14	**16,050**	(231)	(375)
INTEREST EXPENSE	16	**(15,472)**	(25,756)	(28,499)
INTEREST INCOME	7	**9,271**	5,491	8,381
OTHER INCOME (CHARGES) - Net	26	**2,303**	2,389	(174,596)
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAX		**2,256,392**	(52,684)	(217,327)
INCOME TAX EXPENSE (BENEFIT)	27			
Current		**7,539**	1,285	8,490
Deferred		**1,436**	(240)	(1,253)
		8,975	1,045	7,237
NET INCOME (LOSS) FROM CONTINUING OPERATIONS		**2,247,417**	(53,729)	(224,564)
NET INCOME FROM DISCONTINUED OPERATIONS	6	**41,816**	485,482	699,495
NET INCOME		**₱2,289,233**	₱431,753	₱474,931
Net Income Attributable to:				
Equity holders of the Parent Company		**₱2,274,885**	₱265,283	₱234,693
Noncontrolling interests		**14,348**	166,470	240,238
		₱2,289,233	₱431,753	₱474,931
BASIC/DILUTED EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	28	**₱1.18**	₱0.09	₱0.08
Continuing Operations		**1.16**	(0.08)	(0.16)
Discontinued Operations		**0.02**	0.17	0.24

See accompanying Notes to Consolidated Financial Statements.

ROXAS AND COMPANY, 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		**₱2,289,233**	₱431,753	₱474,931
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss				
Remeasurement gain (loss) on retirement liability, net of tax	18	**1,046**	(321)	(6,662)
Share in remeasurement gain on retirement liability of associate	12	**917**	–	–
Item that will be reclassified to profit or loss when realized				
Share in unrealized loss on available-for-sale financial assets of an associate	12	**(50)**	–	–
OTHER COMPREHENSIVE INCOME (LOSS) FROM CONTINUING OPERATIONS		**1,913**	(321)	(6,662)
OTHER COMPREHENSIVE INCOME (LOSS) FROM DISCONTINUED OPERATIONS	6	**458**	(184,547)	148,358
TOTAL COMPREHENSIVE INCOME		**₱2,291,604**	₱246,885	₱616,627
Total Comprehensive Income Attributable to:				
Equity holders of the Parent Company		**₱2,277,099**	₱143,714	₱380,770
Noncontrolling interests		**14,505**	103,171	235,857
		₱2,291,604	₱246,885	₱616,627

See accompanying Notes to Consolidated Financial Statements.

ROXAS AND COMPANY, 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 the Equity Holders of the Parent Company													
					Other Equity Reserves						Retained Earnings				
	Note	Capital Stock (Note 19)	Additional Paid-in Capital (Note 19)	Treasury Stock (Note 19)	Revaluation Increment on Land (Note 19)	Cumulative Remeasurement Gain (Loss) on Retirement Liability (Note 18)	Share in Fair Value Reserve of an Associate (Note 12)	Share in Revaluation Increment on Land of an Associate (Note 12)	Effect of Change in Equity Interest in Subsidiaries	Cumulative Remeasurement Gain on Retirement Liability of Associates	Unappropriated	Appropriated	Total	Noncontrolling Interests	Total Equity
Balances as at October 1, 2013:															
As previously reported		**₱2,911,886**	**₱1,611,393**	**₱–**	**₱1,496,206**	**₱–**	**₱5,179**	**₱136,322**	**(₱81,066)**	**₱–**	**₱2,291,152**	**₱–**	**₱8,371,072**	**₱1,910,187**	**₱10,281,259**
Prior period adjustments	3	–	–	–	–	**(230,295)**	–	–	–	–	**37,038**	–	**(193,257)**	**(47,708)**	**(240,965)**
As restated		**2,911,886**	**1,611,393**	–	**1,496,206**	**(230,295)**	**5,179**	**136,322**	**(81,066)**	–	**2,328,190**	–	**8,177,815**	**1,862,479**	**10,040,294**
Net income		–	–	–	–	–	–	–	–	–	**2,274,885**	–	**2,274,885**	**14,348**	**2,289,233**
Acquisition of treasury stock	19	–	–	**(1,683,654)**	–	–	–	–	–	–	**(1,683,654)**	**1,683,654**	**(1,683,654)**	–	**(1,683,654)**
Effect of deconsolidation	6	–	–	–	**(1,216,115)**	**232,075**	–	**(136,322)**	**81,066**	–	**(754,939)**	–	**(1,794,236)**	**(1,863,435)**	**(3,657,670)**
Cash dividends	19	–	–	–	–	–	–	–	–	–	**(38,430)**	–	**(38,430)**	**(19,180)**	**(57,610)**
Remeasurement gain on retirement liability	18	–	–	–	–	**1,347**	–	–	–	–	–	–	**1,347**	**157**	**1,504**
Share in remeasurement gain on retirement liability of an associate	12	–	–	–	–	–	–	–	–	**916**	–	–	**916**	–	**916**
Share in unrealized loss on available-for-sale financial assets of an associate	12	–	–	–	–	–	**(50)**	–	–	–	–	–	**(50)**	–	**(50)**
Balances as at September 30, 2014		**₱2,911,886**	**₱1,611,393**	**(₱1,683,654)**	**₱280,091**	**₱3,127**	**₱5,129**	**₱–**	**₱–**	**₱916**	**₱2,126,052**	**₱1,683,654**	**₱6,938,593**	**(₱5,631)**	**₱6,932,963**
Balances as at October 1, 2012:															
As previously reported		₱2,911,886	₱1,611,393	₱–	₱1,496,206	₱–	₱5,179	₱136,322	(₱81,066)	₱–	₱2,032,835	₱–	₱8,112,755	₱1,777,878	₱9,890,633
Prior period adjustments	3	–	–	–	–	(108,727)	–	–	–	–	30,072	–	(78,655)	10,632	(68,023)
As restated		2,911,886	1,611,393	–	1,496,206	(108,727)	5,179	136,322	(81,066)	–	2,062,907	–	8,034,100	1,788,510	9,822,610
Net income		–	–	–	–	–	–	–	–	–	265,283	–	265,283	166,470	431,753
Remeasurement loss on retirement liability		–	–	–	–	(121,568)	–	–	–	–	–	–	(121,568)	(63,299)	(184,867)
Cash dividends of a subsidiary	19	–	–	–	–	–	–	–	–	–	–	–	–	(31,194)	(31,194)
Employee stock option	21	–	–	–	–	–	–	–	–	–	–	–	–	1,992	1,992
Balances as at September 30, 2013		₱2,911,886	₱1,611,393	₱–	₱1,496,206	(₱230,295)	₱5,179	₱136,322	(₱81,066)	₱–	₱2,328,190	₱–	₱8,177,815	₱1,862,479	₱10,040,294
Balances as at October 1, 2011:															
As previously reported		₱2,911,886	₱1,611,393	₱–	₱1,335,075	₱–	₱5,179	₱136,322	(₱81,066)	₱–	₱1,820,012	₱–	₱7,738,801	₱1,567,087	₱9,305,888
Prior period adjustments	3	–	–	–	–	(93,673)	–	–	–	–	8,202	–	(85,471)	4,283	(81,188)
As restated		2,911,886	1,611,393	–	1,335,075	(93,673)	5,179	136,322	(81,066)	–	1,828,214	–	7,653,330	1,571,370	9,224,700
Net income		–	–	–	–	–	–	–	–	–	234,693	–	234,693	240,238	474,931
Appraisal increase on revaluation increment on land	12	–	–	–	161,131	–	–	–	–	–	–	–	161,131	–	161,131
Cash dividends of a subsidiary		–	–	–	–	–	–	–	–	–	–	–	–	(18,717)	(18,717)
Remeasurement loss on retirement liability	18	–	–	–	–	(15,054)	–	–	–	–	–	–	(15,054)	(4,381)	(19,435)
Balances as at September 30, 2012		₱2,911,886	₱1,611,393	₱–	₱1,496,206	(₱108,727)	₱5,179	₱136,322	(₱81,066)	₱–	₱2,062,907	₱–	₱8,034,100	₱1,788,510	₱9,822,610

See accompanying Notes to Consolidated Financial Statements.

ROXAS AND COMPANY, 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 (loss) before income tax:				
Continuing operations		**₱2,256,392**	(₱52,687)	(₱217,327)
Discontinued operations	6	**54,027**	735,697	552,203
Income before income tax		**2,310,419**	683,010	334,876
Adjustments for:				
Gain on disposal of a subsidiary	6	**(2,036,038)**	–	–
Equity in net earnings of associates	12	**(196,953)**	(68,027)	(47,188)
Depreciation and amortization	13	**114,164**	684,740	692,382
Interest expense	16	**79,236**	416,418	502,745
Unrealized fair value losses (gains) on investment properties	14	**(16,050)**	231	(4,976)
Retirement benefits	18	**10,910**	41,231	132,378
Interest income	7	**(9,315)**	(7,878)	(14,649)
Provision for impairment loss on real estate for sale and development	9	**2,323**	–	–
Provision for lease-back guarantee	29	**1,085**	–	–
Loss on real estate for sale and development	9	**715**	–	–
Provision for impairment loss on available-for-sale financial assets	11	**688**	–	–
Income from performance bank guarantee		–	(62,834)	–
Loss on property and equipment due to fire	26	–	22,305	–
Provision for inventory losses and obsolescence	10	–	13,544	59,727
Provision for impairment losses on receivables	8	–	6,236	99,444
Employee stock option	21	–	1,991	–
Loss on disposal of property and equipment and investment properties	26	**–**	–	190,324
Recovery from insurance claims	26	–	–	(20,676)
Operating income before working capital changes		**261,184**	1,730,967	1,924,387
Decrease (increase) in:				
Trade and other receivables		**(290,955)**	(502,780)	(354,490)
Real estate for sale and development		**(54,891)**	(47,410)	(12,052)
Inventories		**310,874**	(785,102)	800,014
Other current assets		**(266,784)**	(59,358)	(28,670)
Increase in trade and other payables		**880,521**	14,106	36,022
Net cash generated from operations		**839,949**	350,423	2,365,211
Income taxes paid, including creditable withholding and final taxes		**(24,196)**	(75,212)	(114,751)
Interest received		**8,625**	7,878	13,086
Retirement contributions paid	18	**(1,074)**	(124,403)	(92,966)
Net cash provided by operating activities		**823,304**	158,686	2,170,580

(Forward)

	Note	2014	2013 (As Restated - Note 3)	2012 (As Restated - Note 3)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from:				
Disposal of a subsidiary	6	**₱2,220,388**	₱–	₱–
Disposal of property and equipment and investment properties		**–**	164	5,523
Recovery from insurance claims		**–**	–	20,676
Cash and cash equivalents of the disposed subsidiary as at the date of disposal	6	**(170,472)**	–	–
Additions to:				
Investments in associates and a joint venture	12	**(155,000)**	–	(50)
Property, plant and equipment	13	**(42,443)**	(217,749)	(129,450)
Dividends received	12	**38,201**	22,958	165,587
Decrease (increase) in other noncurrent assets		**2,261**	20,456	(4,280)
Net cash provided by (used in) investing activities		**1,892,935**	(174,171)	58,006
CASH FLOWS FROM FINANCING ACTIVITIES				
Acquisition of treasury stock		**(1,683,654)**	–	–
Net payments of short-term borrowings		**(712,323)**	(173,973)	(1,206,845)
Payments of:				
Long-term borrowings		**(271,112)**	(182,368)	(1,170,597)
Interest		**(70,409)**	(418,571)	(553,769)
Dividends		**(37,576)**	(140,451)	(4)
Proceeds from long-term borrowings		**–**	930,001	542,920
Net cash provided by (used in) financing activities		**(2,775,074)**	14,638	(2,388,295)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(58,835)**	(847)	(159,709)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**198,626**	199,473	359,182
CASH AND CASH EQUIVALENTS AT END OF YEAR	7	**₱139,791**	₱198,626	₱199,473

See accompanying Notes to Consolidated Financial Statements.

ROXAS AND COMPANY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(With Comparative Information for 2012)

1. **Corporate Information**

Roxas and Company, Inc. (the Parent Company), then CADP Group Corporation (CADPGC), was organized in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on October 7, 1918, primarily to acquire, own, develop, sell and hold investment in real estate and sugar business. The corporate life of the Parent Company was extended for another 50 years from October 7, 1968.

On November 29, 1948, the shares of stock of the Parent Company were listed in the Philippine Stock Exchange (PSE).

The Parent Company is owned by various individual shareholders and domestic corporations, namely: Pesan Holdings, Inc. and SPCI Holdings, Inc. As at September 30, 2014 and 2013, the Company has 3,402 and 3,459 equity holders, respectively.

The subsidiaries of the Parent Company are as follows (see Note 4):

		Percentage of Ownership	
	Line of Business	September 30, 2014	September 30, 2013
Roxaco Land Corporation (RLC)	Real estate	100.00	100.00
United Ventures Corporation (UVC)	Warehouse leasing	100.00	100.00
Nasugbu Feeds Corporation (NAFECOR)	Manufacturing	100.00	100.00
Roxas Holdings, Inc. and Subsidiaries (RHI)	Sugar	–	65.70

All the subsidiaries are incorporated and domiciled in the Philippines. The Parent Company and Subsidiaries are collectively referred to as the Group.

On November 29, 2013, the Parent Company sold its 31% equity ownership in RHI to First Pacific Company, Ltd. (First Pacific), a Hong Kong-based company. The Parent Company remains the major shareholder at 35% of RHI while First Pacific has 34% equity ownership as it acquired additional shares of stock of the RHI from other stockholders (see Note 6).

The Group undertook various Reorganization/Restructuring Programs as approved by the SEC (see Note 19). As a result of the programs:

- RHI acquired on December 16, 2008 all the sugar-related operating subsidiaries of CADPGC (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).

- RHI sold on June 23, 2009 its investment in CADPGC to Roxas & Company, Inc. (RCI), an entity incorporated on December 16, 1981 and as domiciled in the Philippines.

- CADPGC, as the surviving entity, merged with RCI in June 29, 2009 through a share swap of 11.71 CADPGC shares for every share of RCI pursuant to an approval by the SEC on June 23, 2009. On the same date, the SEC approved the change in corporate name of CADPGC to Roxas and Company, Inc (the Parent Company).

The corporate office of the Parent Company is located at 7th Floor, Cacho-Gonzales Building, 101 Aguirre Street, Legaspi Village, Makati City.

Approval of the Consolidated Financial Statements

The accompanying consolidated financial statements of the Group as at and for the years ended September 30, 2014 and 2013 (with comparative figures for 2012) have been approved and authorized for issue by the BOD on January 13, 2015, as reviewed and recommended for approval by the Audit and Risk Committee on January 12, 2015.

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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 and presentation 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).

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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 19, *Employee Benefits* (Amendment) - There were numerous changes ranging from the fundamental 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.

- 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 will have to exercise significant judgment to determine which entities are controlled, and are required to be consolidated by a parent company.

- PFRS 12, *Disclosure of Interests with Other Entities* - The standard includes all of the disclosures that were previously in PAS 27, 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, *Investment in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.

- Amendments to PFRS 10, PFRS 11 and PFRS 12*: Transition Guidance* - The amendments provide additional transition relief in PFRS 10, PFRS 11, *Joint Arrangements,* 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 will remove the requirement to present comparative information for periods before PFRS 12 is first applied.

- 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 foregoing new and revised PFRS, except for the amended PAS 19, have no significant impact on the amounts and disclosures in the financial statements of the Group.

The following is the summary of the financial impact of the adoption of amended PAS 19:

	September 30, 2013		
	As Previously Reported	**Prior Period Adjustments**	**As Restated**
Retirement liability	**₱14,742**	**₱217,090**	**₱231,832**
Net deferred tax liabilities	**798,491**	**(100,781)**	**697,710**
Cumulative remeasurement loss on retirement liability, beginning	**–**	**(108,727)**	**(108,727)**
Remeasurement loss on retirement liability, net of deferred tax	**–**	**(121,568)**	**(121,568)**
Retained earnings, beginning	**2,032,835**	**30,072**	**2,062,907**
Noncontrolling interests	**1,910,187**	**(47,708)**	**1,862,479**
Net income	**419,827**	**11,926**	**431,753**

	October 1, 2012		
	As Previously Reported	Prior Period Adjustments	As Restated
Retirement assets	₱132,007	(₱49,139)	₱82,868
Net deferred tax assets	151,388	2,440	153,828
Retirement liability	86,787	48,037	134,824
Net deferred tax liabilities	794,825	(26,713)	768,112
Cumulative remeasurement loss on retirement liability, beginning	–	(93,673)	(93,673)
Retained earnings, beginning	1,820,012	8,202	1,828,214
Noncontrolling interests	1,777,878	10,632	1,788,510
Net income	442,333	32,598	474,931
Remeasurement loss on retirement liability, net of deferred tax	–	(15,054)	(15,054)

New and Revised PFRS not yet Adopted

Relevant new and revised PFRS, which are not yet effective for the year ended September 30, 2013 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 to 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 Instruments: Presentation*. The amendments clarify (a) the meaning of "currently has a legally enforceable right of set-off"; and (2) that some gross settlement systems may be considered equivalent to net settlement.

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.

Effectivity date to be determined –

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate,* covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts,* or involves rendering of services in which case revenue is recognized based on stage of completion.

  The Group is in the process of quantifying the impact of the adoption of IFRIC 15 on the Group's financial position and performance.

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**

<u>Basis of Consolidation</u>
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.

The following is the list of the subsidiaries:

	Percentage of Ownership			
	2014	2013	Line of Business	Year End
RLC	100.00	100.00	Real estate	September 30
UVC	100.00	100.00	Warehouse leasing	December 31
NAFECOR*	100.00	100.00	Manufacturing	December 31
RHI and Subsidiaries**	–	65.70	Sugar	September 30

* *On April 10, 2008, its BOD approved the cessation of operations, closure of business and dissolution of NAFECOR.*

** *The Parent Company sold 31% equity ownership in RHI to First Pacific (see Note 1). The remaining 35% interest of the Parent Company in RHI is now accounted for as an investment in associate (see Note 12).*

The following are the subsidiaries of RLC:

	Percentage of Ownership		
	2014	2013	Line of Business
Roxaco Commercial Properties Corporation (RCPC)*	100.00	100.00	Real estate
SAMG Memorial and Management Services, Inc. (SMMSI)	100.00	100.00	Funeral and related services
Fuego Hotels and Properties Management Corporation (FHPMC)	75.33	63.00	Hotel and resort management

* *RCPC has not yet started commercial operations.*

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 UVC and NAFECOR, 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 period are included in the consolidated statement of income 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 FHMPC in 2014 and FHPMC and RHI in 2013, not held by the Group, directly or indirectly, and are presented separately in the consolidated statement of income and within the equity section of the consolidated statement of financial position and consolidated statement of changes in equity, separately from Parent Company's equity. Total comprehensive income (loss) is attributed to the portion held by the Group and noncontrolling interests even if this results in the noncontrolling interests having a deficit balance.

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 purchase 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.

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. G*oodwill 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 investments in associates is included in the carrying amount of the related investments.

Discontinued Operations. A discontinued operation is a component of the Company's business that represents a separate major line of business or geographical area of operations that had been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative consolidated statement of income and consolidated statement of comprehensive income are presented as if the operation had been discontinued from the start of the comparative year. In the consolidated statement of income of the reporting year, and of the comparable previous year, income and expenses from discontinued operations are reported separately from income and expenses of continuing operations down to the level of net income, even when the Company retains a non-controlling interest in the subsidiary after the sale. The resulting net profit or loss is reported separately in the consolidated statement of income.

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 and HTM investments 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 shall be recognized as part of "Interest income" in profit or loss using effective interest method. 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" 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 cash in banks, cash equivalents, receivables and restricted cash included in "Other current assets" account (see Notes 7, 8, 11 and 20).

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 30 days are recognized and carried at original invoice amount less any allowance for impairment.

AFS Financial Assets. AFS financial assets are nonderivative financial assets that are either designated in this category or not classified in any of the other categories. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. These include equity investments, money market papers and other debt instruments. The unrealized gains and losses arising from the fair valuation of AFS financial assets, except for the foreign exchange fluctuations on AFS debt securities and the related effective interest, are excluded, from reported earnings, and are reported in the consolidated statement of comprehensive income and in the equity section of the consolidated statement of financial position. These changes in fair values are recognized in equity until the investment is sold, collected, or otherwise disposed of or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity are included in profit or loss.

Where the Group holds more than one investment in the same security, these are deemed to be disposed of on a first-in, first-out basis. Interest earned or paid on the investments is recognized as interest income or expense using the effective interest rate method. Dividends earned on investments are recognized in profit or loss when the right of payment has been established. These financial assets are classified as noncurrent assets unless the intention is to dispose such assets within 12 months from the end of reporting year.

AFS financial assets consisting of unlisted shares of stock, which are unquoted and have no reliable sources of market value, are stated at cost, net of any impairment losses.

Classified as AFS financial assets are the unquoted equity investments as at September 30, 2014 and 2013 (see Note 11).

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) 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), dividends payable and short-term and long-term borrowings as at September 30, 2014 and 2013 (see Notes 15, 16, 17, 19 and 20).

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.

a. Financial assets carried at amortized cost

   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 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 period. 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.

b. Financial assets carried at cost

If there is an objective evidence that an impairment loss of an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

c. AFS financial assets

For equity investments classified as AFS financial assets, impairment would include a significant or prolonged decline in the fair value of the investments below their cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from equity and recognized in profit or loss. Impairment losses on equity investments are not reversed through income. Increases in fair value after impairment are recognized directly in the other comprehensive income and presented in the consolidated statement of changes in equity.

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 benefits of the asset, or (b) has neither transferred nor retained substantially all the risks and benefits 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 benefits 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, cancelled or has expired.

Where 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.

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. This is not generally the case with master netting agreements, and the related financial assets and liabilities are presented gross in the consolidated statement of financial position.

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

All assets and liabilities for which fair value is measured or disclosed in the 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 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 above.

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 13, Property, Plant and Equipment
- Note 14, Investment Properties
- Note 30, Financial Instruments

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 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 of completion 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.

Real Estate for Sale and Development

Real estate for sale and development consists of developed real estate properties for sale, raw land and land improvements.

Developed real estate properties for sale, raw land and land improvements are carried at the lower of aggregate cost and NRV, and include those costs incurred for the development and improvement of the properties and certain related capitalized borrowing costs. NRV is the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale.

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 year the revenue is 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.

Investment in a Joint Operation

Joint operation is when a joint arrangement is not structured through a separate vehicle. The Group recognizes its interest based on its involvement in the joint operation. The sharing of profits is in proportion to the parties' capital contributions.

Investments in Associates

Investments in associates are recognized initially at cost and 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 Group's 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 Group's 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 on behalf of the associates. Unrealized gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The financial statements of the associates 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.

The Group determines at the end of each reporting year whether there is any evidence that the investment is impaired. If this is the case, the amount of impairment is calculated as the difference between the carrying amount of the investment and recoverable amount.

Investment in a Joint Venture
RLC has interest in a joint venture, whereby the venturers have a contractual arrangement that establishes joint control.

Interest in a joint venture is initially recognized at cost and subsequently accounted for under the equity method of accounting. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venture has an interest.

Under the equity method of accounting, the interest in a joint venture is carried at cost plus post-acquisition changes in the Group's share in the net assets of the joint venture, less any impairment in value. The share in the results of the operations of the joint venture is recognized in profit or loss. The Group's share of post-acquisition movements in the joint venture's equity reserves is recognized directly in equity. Profits or losses resulting from the transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture and for unrealized losses to the extent that there is no evidence of impairment of the asset transferred. Dividends received are treated as a reduction of the carrying value of the interest.

After the application of the equity method, the Group determines at the end of each reporting year whether there is any objective evidence that the interest is impaired. If this is the case, the amount of impairment is calculated as the difference between the carrying amount of the interest and recoverable amount and recognizes the difference in profit or loss.

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. Land is measured initially at cost and subsequently 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.

The net appraisal increment resulting from the revaluation of land is presented under "Revaluation increment on Land," net of related deferred tax, in the consolidated statement of financial position and consolidated statement of changes in equity. The Group'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 land are recognized in the consolidated statement of comprehensive income and credited to revaluation increment in the consolidated statement of changes in equity, net of related deferred tax. Any resulting decrease is directly charged against the related revaluation increment on land 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 unrestricted retained earnings.

The Group used the carrying amount of CADPI's depreciable assets as at July 1, 2004, which is the revalued amount, less accumulated depreciation from the Group's perspective, as the deemed costs at that date when the Group adopted PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards*. An annual transfer from the asset revaluation reserve to retained earnings is made until 2010 for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets' original cost. The asset revaluation reserve was fully transferred to retained earnings as at June 30, 2010.

Construction in progress, which represents properties 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 property, plant and equipment account.

Depreciation and amortization on depreciable property, plant and equipment are calculated using the straight-line method to allocate their cost over their estimated useful lives as follows:

Asset Category	Number of Years
Buildings and improvements	5 to 40
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 10

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 renovations that qualified for capitalization are depreciated and amortized over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner.

The assets' 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.

The asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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, amortization 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.

<u>Investment Properties</u>
Investment properties comprise land for future development and completed property that are held either to earn rentals or for capital appreciation or both and that are not occupied by the entities in the Group.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value. Gains or losses arising from changes in fair value of investment property 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.

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

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 amortization period and the amortization method for the software cost are reviewed at each reporting year.

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 investments in associates and a joint venture, 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. 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 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 of loss under the expense category consistent with the function of the impaired asset. Impairment loss recognized during interim period in respect to goodwill or an investment, either an equity instrument or a financial asset carried at cost, 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 charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Equity

Capital Stock. 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.

Additional Paid-in Capital. Additional paid-in capital includes any premium received in the initial issuances of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of tax.

Treasury Stock. Where any entity of the Group purchases the Parent Company's capital (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 income tax effect, is included in equity attributable to the Parent Company's equity holders.

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. Restricted retained earnings represent that portion, which has been restricted and are not available for any dividend declaration. Unrestricted retained earnings represent that portion, which can be declared as dividends to stockholders.

Dividend Distribution. Dividend distribution to the Parent Company's stockholders is recognized as a liability and deducted from equity in the period in which the dividends are approved by the Parent Company's BOD. Dividends that are approved after the reporting year are dealt with as 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 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 Real Estate. The Company assesses whether it is probable that the economic benefits will flow to the Company when the sales prices are collectible. Collectability of the sales price is demonstrated by the buyer's commitment to pay, which is supported by the buyer's initial and continuing investments gives the buyer a stake in the property sufficient that the risk of loss through default that motivates the buyer to honor its obligation to the Company. Collectability is also assessed by considering factors such as collections, credit standing of the buyer, age and location of the property.

Revenue from sales of completed real estate projects is accounted for using the full accrual method. In accordance with Philippine Interpretations Committee Q&A No. 2006-01, the percentage of completion method is used to recognize income from sales of projects where the Company has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliably. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Any excess of collections over the recognized receivables are included in the "Customers' deposits" account in the liabilities section of the consolidated statement of financial position.

If any of the criteria under the full accrual or percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented under the "Customers' deposits" account in the in the liabilities section of the consolidated statement of financial position.

For income tax purposes, full recognition of revenue from real estate sales is applied when more than 25% of the sales price has been collected in the year of sale. Otherwise, the installment method is applied.

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.

Rent income. Rent income from operating lease is recognized using the straight-line method over the term of the lease.

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

Other Income. Other income is recognized when services are rendered and when goods are received.

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

Cost of Real Estate Sales. Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works, as determined by the Group's in-house technical staff.

Contract costs include all direct materials, labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions, estimated probability, including those arising from contract penalty provisions, and final contract settlements, which may result in revisions to estimated costs and gross profit, are recognized in the year in which the changes are determined.

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 and rental and utilities and general office expenses. These costs are expensed when incurred.

Employee Benefits

Short-Term Employee Benefits. The Group recognizes a liability net of amounts already paid and an expense for services rendered by employees during the year. Short-term employee benefits given by the Group to its employees include salaries and wages, social security contributions, short-term compensated absences, profit sharing and bonuses and non-monetary benefits.

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

Retirement Benefits. The Parent Company and RLC have individual and separate defined benefit plan. 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 plan is generally funded through payments to trustee-administered funds as determined by periodic actuarial calculations.

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 nonroutine settlements; and net interest expense or income in profit or loss. Net interest is calculated by applying the discount rate to the net 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 defined benefit asset or liability is the aggregate of the present value of the defined benefit obligation and the fair value of plan assets on which the obligations are to be settled directly. The present value of the defined benefit obligation 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 normal 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 period are discounted to present value.

Employee Stock Option

Under the Employee Stock Option Plans (ESOP) of RHI, all regular employees (including directors) of RHI, CADPI, CACI and RBC 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 is determined using an option-pricing model, further details of which are presented in Note 21 - *Employee Stock Option Plan of RHI*. 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.

Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production 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 they 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 periods 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 is 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.

Debt arrangement fees relating to the drawn loan amount are amortized using the effective interest rate method and are presented as reduction in the principal loan balance. Debt arrangement fees relating to the undrawn loans are recorded as deferred charges and are amortized using the straight-line method. Amortization of debt arrangement fees is recognized as interest expense.

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 shall commence or cease 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 benefits 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.

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 the reporting year. Foreign exchange differences are credited or charged directly to 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 period.

Deferred Tax. Deferred tax is provided on all temporary differences at the end of the 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 income 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 income tax assets against the deferred income tax liabilities and the deferred income 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.

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 statement of financial position.

Related Parties 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.

Earnings (Loss) per Share attributable to the Equity Holders of the Parent Company

Basic earnings (loss) per share is calculated by dividing the net income (loss) 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 (loss) per share is computed by adjusting the weighted average number of common shares outstanding to assume conversion of all the dilutive potential common shares into common shares.

The Parent Company has no dilutive potential common shares.

Segment Reporting

Operating segments are components of the Group: (a) that engage in business activities from which they may earn revenue and incur expenses (including revenues 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.

For purposes of management reporting, the Group's operating businesses are organized and managed separately based on the nature of the business segment, with each business representing a strategic business segment. As a result of the deconsolidation of RHI (see Note 1), reportable operating segments primarily consist of the real estate business and other segments, which are not reported separately (see Note 31).

Provisions

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

Contingencies
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. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

Events after the Reporting Year
Post year-end events that provide additional information about the Group's financial position at the end of the 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 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 has 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 the 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 based on the nature of the business segment, with each business representing a strategic business segment. As a result of the deconsolidation of RHI (see Note 1), reportable operating segments primarily consist of the real estate business and other segments, which are not reported separately (see Note 31).

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 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.

The Group, as a lessor, has existing property leases where it has determined that it retains all the significant risks and benefits of ownership of those properties. Accordingly, the lease agreements are accounted for as operating leases.

Rent income amounted to ₱1.6 million and ₱7.4 million in 2014 and 2013, respectively (₱7.1 million in 2012) (see Note 26).

The Group, as a lessee, has various property leases where it has determined that the significant risks and benefits related to those properties are retained with the lessors. Accordingly, the lease agreements are accounted for as operating leases.

Rent expense amounted to ₱16.2 million and ₱83.2 million in 2014 and 2013, respectively (₱73.7 million in 2012) (see Notes 23 and 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 for the land of RHI and of the Parent Company, which are held for rental and/or capital appreciation, as investment properties. As at September 30, 2014 and 2013, the carrying value of investment properties amounted to ₱4,448.5 million and ₱4,624.3 million, respectively (see Note 14).

Revenue Recognition. Management exercises judgment in determining whether income from sale of real estate properties is recognized in full. Management believes that revenue should be recognized in full when the collectability of the sales price is reasonably assured and when the risk and benefits over the assets have been transferred, which is usually when the Group collects at least 25% or more of the total contract price. During the fiscal year ended September 30, 2014, the Group reviewed the collectability of the sales price based on historical trends. Management, then, assessed that collectability of the sales price is reasonably assured when the Group collects at least 10% or more of the total contract price. The change in accounting estimate was accounted prospectively and resulted to an increase in net income amounting to ₱25.6 million.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting year 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 of Receivables. Allowance for impairment losses on trade and other receivables and due from related parties is maintained at a level considered adequate to provide for potentially uncollectible receivables. The level of allowance is based on past collection experience and other factors that may affect collectability. An evaluation of the receivables, designed to identify potential charges to the allowance, is performed on a continuous basis throughout the year. The allowance is established by charging against income in the form of provision for impairment losses on trade and other receivables. These specific reserves are re-evaluated and adjusted as additional information received affects the amount estimated. The amount and timing of recorded expenses for any year would therefore differ based on the judgments or estimates made.

In addition to specific allowance against individually significant receivables, the Group also makes a collective impairment allowance assessment against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. Collective assessment of impairment is made on a portfolio or group basis after performing a regular review of age and status of the portfolio or group of accounts relative to historical collections, changes in payment terms, and other factors that may affect ability to collect payments.

As at September 30, 2014 and 2013, the carrying amount of the trade and other receivables (including noncurrent portion of installment contract receivables and receivable from LBP) amounted to ₱196.5 million and ₱1,472.8 million, respectively (see Note 8). Allowance for impairment losses of receivables amounted to ₱13.4 million and ₱95.5 million as at September 30, 2014 and 2013, respectively (see Note 8).

Determination of NRV of Inventories and Real Estate for Sale and Development. The Group's estimates of the NRV of inventories and real estate for sale and development are based on the most reliable evidence available at the time the estimates are made and the amount that the inventories and real estate for sale and development 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 at the end of the reporting period. A new assessment is made of NRV in each subsequent period. When the circumstances that previously caused inventories and real estate for sale and development 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.

The real estate for sale and development that are carried at cost amounted to ₱441.0 million and ₱387.9 million as at September 30, 2014 and 2013, respectively (see Note 9). Allowance for impairment loss amounted to ₱2.3 million as at September 30, 2014 (see Note 9).

Inventories and related allowance for inventory losses and obsolescence were derecognized as a result of deconsolidation of RHI in 2014 (see Note 6). As at September 30, 2013, the inventories carried at lower of cost or NRV amounted to ₱1,550.9 million (see Note 10). Allowance for inventory losses and obsolescence amounted to ₱18.0 million as at September 30, 2013 (see Note 10).

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, they are allocated among the products on a rational and consistent basis. The allocation is based on relative sales value of cane product 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.

No allocated cost to molasses inventory as at September 30, 2014 was recognized as a result of deconsolidation of RHI in 2014 (see Note 6). As at September 30, 2013, portion of molasses inventory amounting to ₱20.2 million, pertains to allocated cost from the total production costs of milled raw and refined sugar (see Note 10).

Determination 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 therefore differ based on the judgments or estimates made.

Creditable withholding taxes and related allowance for impairment loss were derecognized as a result of deconsolidation of RHI in 2014 (see Note 6). As at September 30, 2014 and 2013, the creditable withholding taxes amounted to ₱49.8 million and ₱254.6 million (see Note 11). Allowance for impairment losses on creditable withholding taxes amounted to ₱13.6 million as at September 30, 2013 (see Note 11).

Valuation of Land under Revaluation Basis. The land is carried at revalued amount, which approximates its fair value at the date of the revaluation, less any accumulated impairment losses. The valuation of the land is performed by professionally qualified independent appraisers. The fair value was arrived at using the Market Data Approach for land using 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 the reporting year.

Land carried at revalued amounts as at September 30, 2013 amounted to ₱2,758.3 million (see Note 13). The land at revalued amount was derecognized as a result of deconsolidation of RHI in 2014 (see Note 6).

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 Group’s items of property, plant and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of 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 above. A change in the estimated useful life of any item of property, plant and equipment would impact the recorded operating expense and noncurrent assets.

There was no change in the estimated useful lives of property, plant and equipment in 2014 and 2013.

The carrying value of the depreciable property, plant and equipment as at September 30, 2014 and 2013 amounted to ₱4.4 million and ₱7,896.6 million, respectively (see Note 13).

Determination of Fair Value of the Investment Properties. The fair value of the investment properties was determined by professionally qualified independent appraisers using generally acceptable valuation techniques and methods and estimates based on local market conditions existing at the end of the reporting period. The fair value was based on market value. In arriving at the market value, it is assumed that any transaction is based on cash or its equivalent consideration.

Investment properties, including land properties that are subjected to the Comprehensive Agrarian Reform Law (CARL) with total land area of 2,300.6 hectares and total value of ₱4,046.0 million and ₱4,021.5 million as at September 30, 2014 and 2013, respectively, are stated at fair value amounting to ₱4,448.5 million and ₱4,624.3 million as at September 30, 2014 and 2013, respectively (see Note 14).

The Parent Company filed a Petition for Certiorari with the Court of Appeals (CA) regarding the denial by the Department of Agrarian Reform (DAR) of its protest against the wrongful coverage of its land properties. As at the date of report, the protest is still pending before the CA (see Note 29).

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 less costs to sell, 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 parent company financial statements. Future events could indicate that these nonfinancial assets are 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 under PFRS.

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 revenues or other external indicators) are as follows:

	Note	**2014**	2013
Investments in associates and a joint venture	12	**₱2,167,405**	₱757,559
Property, plant and equipment	13	**4,444**	10,654,887

There were no impairment indicators for the foregoing nonfinancial assets in 2014 and 2013. Accordingly, the Group has not recognized any impairment loss.

Estimation of Retirement Benefits. The determination of the obligation and cost for retirement benefits is dependent on the selection of certain assumptions determined by management and used by the actuary in calculating such amounts. Those assumptions are described in Note 18 and include, among others, discount rates, expected rates of return on plan assets and rates of future salary increase. Actual results that differ from the Group's assumptions are accumulated and amortized over future years and therefore, generally affect the recognized expense and recorded obligation in such future years.

Retirement liability as at September 30, 2014 and 2013 amounted to ₱6.7 million and ₱231.8 million, respectively (see Note 18). Retirement benefits expense amounted to ₱10.9 million and ₱41.2 million in 2014 and 2013, respectively (₱132.4 million in 2012) (see Note 18).

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 (₱85.0 million in 2012) (see Note 24). The Group has outstanding provision for probable losses amounting to ₱48.4 million as at September 30, 2013 (see Notes 17 and 29).

The Group shall account for any legal and financial liabilities arising from the land properties subject to the CARL upon the resolution of ownership by the Court (see Note 29).

Assessment of Realizability of Deferred Tax Assets. The Group reviews the carrying amounts at the end of each reporting period 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 income tax assets to be utilized.

The Group recognized deferred tax assets on a portion of deductible temporary differences and carryforward benefits of NOLCO and MCIT amounting to ₱4.8 million and ₱38.1 million as at September 30, 2014 and 2013, respectively (see Note 27).

Deferred tax assets were not recognized on deductible temporary differences and carryforward benefits of NOLCO and MCIT with income tax effect amounting to ₱50.5 million and ₱151.8 million as at September 30, 2014 and 2013, respectively (see Note 27). 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. Disposal of a Subsidiary

As discussed in Note 1, on November 29, 2013, the Parent Company sold its 31% equity ownership in RHI to First Pacific for a total consideration of ₱2,220.4 million. The Parent Company remains the major shareholder at 35% of RHI while First Pacific has 34% equity ownership as it acquired additional shares of stock of RHI from other stockholders. The sale resulted to a gain amounting to ₱2,016.1 million. Subsequent to the sale, the remaining investment in RHI with fair value of ₱1,709.5 million is classified as investment in an associate (see Note 12).

Consequently, the Parent Company has lost its control over RHI with the dilution of its equity interest from 65% to 35%. The loss of control is considered as a deemed disposal of a subsidiary in accordance with the Amended PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*.

The related accounts of RHI as at November 29, 2013 (the date control is lost) have been excluded in the 2014 consolidated statement of financial position. The carrying amounts of the assets and liabilities of RHI as at November 29, 2013 are as follows:

	Note	Amount
Cash and cash equivalents		₱170,472
Trade and other receivables		1,426,161
Inventories		1,240,020
Other current assets	11	785,267
Investment in an associate	12	614,268
Property, plant and equipment	13	10,577,770
Investment properties	14	191,837
Net deferred tax assets		30,082
Other noncurrent assets		15,818
Borrowings		(7,098,848)
Trade and other payables		(1,514,006)
Retirement liabilities		(196,676)
Net deferred tax liabilities		(690,654)
Revaluation increment on land		(1,216,115)
Share in revaluation increment on land of an associate		(136,322)
Effect of change in equity interest in subsidiaries		81,066
Other comprehensive loss	18	232,075
Retained earnings		(754,939)
Noncontrolling interests		(1,863,431)
Net assets		1,893,845
Total consideration		(2,220,388)
Remaining investment		(1,709,495)
Gain on disposal	12	₱2,036,038

The 2014 consolidated statement of comprehensive income include the results of operations of RHI up to November 29, 2013.

The results of operations of RHI for the two-month period ended November 29, 2013 and years ended September 30, 2013 and 2012 included under "Net income from discontinued operations" account are summarized below:

	Note	**2014 (Two Months)**	2013 (One Year)	2012 (One Year)
Revenue	22	**₱1,194,430**	₱6,064,728	₱7,674,493
Cost of sales	23	**(954,041)**	(4,450,154)	(5,956,519)
Gross income		**240,389**	1,614,574	1,717,974
General and administrative expenses	24	**(128,708)**	(623,164)	(784,555)
Interest expense	16	**(63,623)**	(390,662)	(474,245)
Equity in net earnings of an associate	12	**–**	67,635	49,115
Selling expenses	24	**(5,687)**	(40,361)	(74,990)
Interest income	7	**44**	2,386	6,269
Other income - net	26	**11,612**	105,289	112,635
Income before income tax		**54,027**	735,697	552,203
Income tax expense (benefit)	27	**12,211**	250,215	(147,292)
Net income		**41,816**	485,482	699,495
Remeasurement gain (loss) on retirement liability, net of deferred tax		**458**	(184,547)	(12,773)
Revaluation increment on land		**–**	–	161,131
Total comprehensive income		**₱42,274**	₱300,935	₱847,853
Net income attributable to:				
Parent Company		**₱41,866**	₱485,032	₱698,799
Noncontrolling Interest		**(50)**	450	696
		₱41,816	₱485,482	₱699,495
Total comprehensive income attributable to:				
Parent Company		**₱42,324**	₱300,485	₱847,157
Noncontrolling Interest		**(50)**	450	696
		₱42,274	₱300,935	₱847,853

The net cash provided by (used in) discontinued operations for the two-month period ended November 29, 2013 and year ended September 30, 2013 are as follows:

	2014 (Two Months)	2013 (One Year)	2012 (One Year)
Net cash provided by (used in) operating activities	**(₱51,784)**	₱80,431	₱2,188,171
Net cash provided by (used in) investing activities	**217,295**	(95,498)	59,325
Net cash provided by (used in) financing activities	**(160,992)**	16,612	(2,401,844)
Net increase (decrease) in cash and cash equivalents	**4,519**	1,545	(154,348)
Cash and cash equivalents at beginning of year	**165,953**	164,408	318,756
Cash and cash equivalents at end of period	**₱170,472**	₱165,953	₱164,408

7. Cash and Cash Equivalents

This account consists of:

	2014	2013
Cash on hand	**₱256**	₱1,317
Cash in banks	**36,972**	161,624
Cash equivalents	**102,563**	35,685
	₱139,791	₱198,626

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are made at varying periods of up to 90 days, depending on the immediate cash requirements of the Group. Cash equivalents earn interest ranging from 0.4% to 1% in 2014 and 0.3% to 1.25% in 2013 (1.0% to 3.5% in 2012).

Interest income recognized in the consolidated statements of income follows:

	Note	2014	2013	2012
Continuing operations:				
Trade and other receivables	8	**₱4,759**	₱5,182	₱6,004
Due from related parties	20	**3,841**	–	–
Cash in banks and cash equivalents		**671**	309	2,377
		9,271	5,491	8,381
Discontinued operations:				
Cash in banks and cash equivalents		**₱44**	₱986	₱2,433
Trade and other receivables	8	**–**	1,400	3,836
		44	2,386	6,269
		₱9,315	₱7,877	₱14,650

8. Trade and Other Receivables

This account consists of:

	Note	2014	2013
Trade		**₱133,410**	₱1,347,239
Due from:			
Related parties	20	**61,246**	83,610
Dividends	20	**4,624**	19,484
Employees		**1,225**	35,853
Planters and cane haulers		**–**	45,955
Advances for raw sugar purchases		**–**	18,222
Receivable from Land Bank of the Philippines (LBP)		**–**	6,228
Others		**9,427**	11,695
		209,932	1,568,286
Allowance for impairment losses		**(13,403)**	(95,510)
		₱196,529	₱1,472,776

Breakdown as to current and noncurrent portion follows:

	2014	2013
Current	**₱194,142**	₱1,455,687
Noncurrent	**2,387**	17,089
	₱196,529	₱1,472,776

Trade receivables as at September 30, 2014 include customers' accounts arising from the sale of real estate properties and residential properties collectible in monthly installments over a period of 18 to 84 months and bear annual interest ranging from 8% to 20% depending on the terms of the sales contract. Trade receivables as at September 30, 2013 include receivables from real estate business as well as receivables from sugar business of RHI and its subsidiaries.

Cash received from the sale of real estate properties and residential properties, which did not meet the revenue recognition criteria as set out in Note 4 are recognized as "Customers' deposits", which is presented as under "Trade and other payables" account in the consolidated statements of financial position. Interest income amounted to ₱4.8 million and ₱5.2 million in 2014 and 2013, respectively (₱6.0 million in 2012) (see Note 7).

The aggregate future installment receivables under the sales contracts for real estate business are as follows:

	2014	2013
Current	**₱128,064**	₱59,510
Noncurrent	**2,387**	11,897
	₱130,451	₱71,407

Due from planters and cane haulers pertains to cash advances, which are settled in the form of raw sugar from the planters and services rendered by the cane haulers (see Note 29). Interest income earned on due from planters and cane haulers amounted to ₱1.0 million in 2013 (₱2.5 million in 2012) (see Note 7).

Due from employees pertains to the salary, housing and educational loans that are collected from the employees through salary deduction, and advances for business purposes subject to liquidation. The loans to employees are noninterest-bearing, except for certain housing loans extended in 2008, which bear interest of 8.0% and are payable in 10 years. Interest income earned amounted to ₱0.3 million in 2013 (₱1.3 million in 2012) (see Note 7).

Receivable from LBP amounting to ₱6.2 million represents the unquoted debt security issued by LBP and received by the Parent Company as a consideration for the investment property expropriated by the Philippine government in 2012 (see Note 14). The unquoted debt security, which is receivable in 10 equal annual installments until 2019, earns interest ranging from 0.1% to 1.0% in 2013 (1.6% to 2.3% in 2012) based on 91-day Treasury Bills. Interest earned amounted to ₱0.1 million in 2013(₱1.2 million in 2012) (see Note 7).

In 2014, the Parent Company rediscounted the said security for a total consideration of ₱5.3 million. Interest expense incurred from discounting amounted to ₱0.9 million, which is included as part of "Interest expense".

Details of receivable from LBP as at September 30, 2013 are as follows:

Current	₱1,038
Noncurrent	5,190
	₱6,228

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

Movements of allowance for impairment losses of receivables, determined using specific assessment, follow:

	2014					
	Trade	**Due from Related Parties**	**Due from Planters and Cane Haulers**	**Due from Employees**	**Others**	**Total**
Balance at beginning of year	**₱52,925**	**₱15,596**	**₱14,130**	**₱1,342**	**₱11,517**	**₱95,510**
Effect of deconsolidation	**(52,163)**	**(3,110)**	**(14,130)**	**(1,342)**	**(11,362)**	**(82,107)**
Balance at end of year	**₱762**	**₱12,486**	**₱–**	**₱–**	**₱155**	**₱13,403**

	2013					
	Trade	Due from Related Parties	Due from Planters and Cane Haulers	Due from Employees	Others	Total
Balance at beginning of year	₱86,661	₱15,596	₱11,882	₱1,342	₱9,816	₱125,297
Provisions	1,800	–	2,728	–	1,708	6,236
Write-offs	(35,536)	–	(480)	–	(7)	(36,023)
Balance at end of year	₱52,925	₱15,596	₱14,130	₱1,342	₱11,517	₱95,510

9. Real Estate for Sale and Development

This account consists of:

	2014	2013
Raw land and land improvements	**₱402,603**	₱345,142
Real estate properties for sale	**40,732**	42,801
	443,335	387,943
Allowance for impairment loss	**(2,323)**	–
	₱441,012	₱387,943

Capitalized borrowing costs incurred to finance the development of the Group's real estate projects amounted to ₱3.4 million and ₱2.0 million in 2014 and 2013, respectively (see Note 16).

Provision for impairment loss on pre-development cost of a project amounting to ₱2.3 million was recognized in 2014.

Cost of real estate sales amounted to ₱105.6 million and ₱34.4 million in 2014 and 2013, respectively (₱40.9 million in 2012) (see Note 23).

In 2014, certain properties with carrying amount of ₱20.2 million were damaged due to typhoon for which a loss on real estate for sale and development amounting to ₱0.7 million was recognized (see Note 17).

Aggregate cash price values and related aggregate carrying costs of real estate properties held for sale follow:

	2014	2013
Aggregate cash price values	**₱71,088**	₱74,699
Aggregate carrying costs	**(40,732)**	(42,801)
Excess of aggregate cash price values over aggregate carrying costs	**₱30,356**	₱31,898

Certain properties for development owned by RLC amounting to ₱181.5 million as at September 30, 2014 and 2013 are being used as collateral for the loans availed by the Parent Company and RLC (see Note 16).

10. **Inventories**

This account represents inventories of RHI and its subsidiaries that were deconsolidated in 2014 (see Note 6). As at September 30, 2013, this account consisted of:

At cost:	
Refined sugar	₱523,636
Alcohol	326,560
Molasses	161,019
At NRV:	
Materials and supplies	295,013
Raw sugar	244,666
	₱1,550,894

Cost of inventories valued at NRV as at September 30, 2013 is shown below:

Materials and supplies	₱311,873
Raw sugar	245,807
	₱557,680

Details and movements of allowance for product inventory losses and obsolescence as at and for the year ended September 30, 2013 follow:

	Note	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	23	11,544	2,000	13,544
Balance at end of year		₱1,141	₱16,860	₱18,001

Cost of inventories recognized as expense and included as “Direct materials used” under “Cost of goods sold” amounted to ₱396.1 million and ₱1,604.6 million in 2014 and 2013, respectively (₱2,786.0 million in 2012) (see Note 23).

11. Other Current Assets

This account consists of:

	2014	2013
Creditable withholding taxes - net	**₱49,838**	₱254,561
Input VAT	**6,154**	217,654
Restricted cash	**–**	32,839
Deposit to suppliers	**–**	8,372
Prepaid insurance	**–**	5,463
Others	**14,016**	19,593
	₱70,008	₱538,482

Certain other current assets amounting to ₱785.3 million including creditable withholding taxes and the related allowance for impairment loss were derecognized as a result of deconsolidation of RHI (see Note 6).

No provision for impairment loss on creditable withholding taxes was recognized in 2014.

Input VAT mainly arises from construction relating to the Ethanol Plant of RBC and purchases of goods and services for operations.

Restricted cash represents savings from the reduction of the interest on long-term borrowings, deposited to the escrow account as required under the provision of the loan agreement with Banco de Oro Unibank, Inc. (BDO) (see Note 16). The restricted cash has been applied as payments for long-term borrowings in 2014.

Deposit to suppliers pertains to purchases of goods and services.

Other current assets consist of fully impaired AFS financial assets amounting to ₱0.7 million, prepaid rent and other prepayments.

12. Investments in Associates and a Joint Venture

Movements in this account follow:

	Note	**2014**	2013
Associates			
Acquisition cost			
Balance at beginning of year		**₱308,162**	₱308,162
Remaining investment in RHI	6	**1,709,495**	–
Effect of deconsolidation of RHI*	6	**(127,933)**	–
Balance at end of year		**1,889,724**	308,162

(Forward)

	Note	2014	2013
Cumulative equity in net earnings -			
Balance at beginning of year		**₱310,989**	₱265,920
Equity in net earnings:			
Continuing operations		**196,941**	392
Discontinued operations		**–**	67,635
Effect of deconsolidation of RHI*	6	**(278,843)**	₱–
Dividends received		**(38,201)**	(22,958)
Balance at end of year		**190,886**	310,989
Unrealized loss on transfer of land		**(59,030)**	(59,030)
Share in:			
Fair value reserve		**5,129**	5,179
Remeasurement gains	3	**916**	–
Revaluation increment on land		**–**	207,492
		2,027,625	772,792
Allowance for impairment losses		**(15,233)**	(15,233)
		2,012,392	757,559
Joint Venture			
Acquisition cost		**155,000**	–
Equity in net earnings		**12**	–
Balance at end of year		**155,012**	–
		₱2,167,404	₱757,559

**Relate to HPCo.*

The following are the associates of the Group:

	Percentage of Ownership		
	2014	2013	Principal Activity
RADC	**50.00**(1)	50.00	Real estate developer
RHI and subsidiaries	**35.00**(2)	–	Production and selling of sugar and related products
FLC	**30.00**(1)	30.00	Real estate developer
FDC	**30.00**(1)	30.00	Real estate developer
CPFI	**25.20**(1)	25.20	Social recreational and athletic activities
HPCo	**–**	29.62(3)	Production and selling of sugar and related products

(1) Effective ownership through RLC.
(2) Effective December 2013 (see Note 1).
(3) Effective ownership through RHI.

Details of this account follow:

	2014	2013
Associates		
RHI and subsidiaries	**₱1,872,760**	₱–
Fuego Land Corporation (FLC))	**97,804**	98,790
Fuego Development Corporation (FDC)	**14,942**	19,211
Club Punta Fuego, Inc. (CPFI)	**18,460**	16,863
Roxaco ACM Development Corporation (RADC)	**8,427**	8,427
Hawaiian-Philippine Company (HPCo)	**–**	614,268
Joint Venture		
Roxaco Vanguard Hotel Corporation (RVHC)	**155,012**	–
	₱2,167,405	₱757,559

The following are the effective ownership of the Group in the subsidiaries of RHI as at September 30, 2014.

	Effective Ownership	Line of Business
CADPI	**35.00**	Production and selling of raw and refined sugar, molasses and related products
CACI	**35.00**	Production and selling of raw sugar and molasses
CADP Insurance Agency, Inc. (CIAI)[1]	**35.00**	Insurance agency
NAVI	**27.08**	Agricultural and industrial development
Roxol Bioenergy Corp. (RBC)	**35.00**	Production and selling of bioethanol fuel
CADP Port Services, Inc. (CPSI)[1]	**35.00**	Providing ancillary services
Roxas Power Corporation (RPC)[1]	**17.50**	Sale of electricity

(1) Has not yet started commercial operations.

All the associates and a joint venture are incorporated in the Philippines.

Associates

On November 29, 2013, the Parent Company sold its 31% equity ownership in RHI to First Pacific, a Hong Kong-based company. The Parent Company remains the major shareholder at 35% of RHI while First Pacific has 34% equity ownership as it acquired additional shares of stock of RHI from other stockholders (see Notes 1 and 6). As a result, the remaining 35% interest in RHI is now accounted for as an investment in associate.

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 (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.

Investment in RADC amounting to ₱3.7 million was provided with allowance for impairment loss as at September 30, 2014 and 2013.

Shares of stock of RHI totaling 99.6 million are used as security for long-term loan of the Parent Company amounting to ₱150.0 million and ₱400.0 million as at September 30, 2014 and 2013, respectively (see Note 16).

Summarized financial information of associates are as follows:

	2014	2013
Current assets	**₱4,235,197**	₱1,545,612
Noncurrent assets	**11,555,940**	1,533,054
Current liabilities	**2,273,464**	792,552
Noncurrent liabilities	**7,633,865**	470,950
Net assets	**5,883,809**	1,815,164
Revenue	**(1,136,139)**	399,242
Net income	**21,667**	483,641

Joint Venture

On December 3, 2013, RLC entered into a 50%-50% Agreement with Singapore's Vanguard Hotels Group to form a joint venture company namely Roxaco-Vanguard Hotel Corporation (RVHC) [formerly Vanguard Hospitality Assets (Phils.), Inc.] duly registered and incorporated with the SEC on December 8, 2010, primarily to build and own a minimum of five "Go Hotels" (the Projects) in Metro Manila and in selected provincial destinations over the next two to three years.

On May 15, 2014, the SEC approved RVHC's increase in authorized capital stock from 40,000 shares with ₱100.0 par value to 800.0 million common shares at ₱1.0 par value and 200.0 million preferred shares at ₱0.01 par value. As at September 30, 2014, RLC paid capital contributions for common shares subscription amounting to ₱155.0 million.

In 2014, RVHC started the predevelopment and/or construction of the Projects. Total cost to complete the Projects amounted to ₱1,519.0 million. As at September 30, 2014, total costs incurred on the Projects amounted to ₱373.3 million.

Summarized financial information of RVHC as at September 30, 2014 are as follows:

Current assets	₱131,820
Noncurrent assets	385,766
Current liabilities	207,500
Noncurrent liabilities	2,564
Net assets	307,521
Revenue	25
Net income	24

The accumulated equity in net earnings of associates and a joint venture amounting to ₱190.9 million and ₱311.0 million as at September 30, 2014 and 2013, respectively, is not available yet for dividend distribution to shareholders, unless received as cash dividends from the associates.

13. **Property, Plant and Equipment**

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

	Note	Land	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Office Furniture, Fixtures and Equipment	Construction in Progress	Total
		2014						
Cost								
Balance at beginning of year		**₱12**	**₱2,786,167**	**₱12,065,825**	**₱34,587**	**₱85,047**	**₱101,929**	**₱15,073,567**
Effect of deconsolidation of RHI	6	**–**	**(2,774,870)**	**(12,063,402)**	**(27,389)**	**(71,837)**	**(141,606)**	**(15,079,104)**
Additions		**–**	**–**	**–**	**2,060**	**706**	**39,677**	**42,443**
Reclassifications		**–**	**(952)**	**–**	**–**	**–**	**–**	**(952)**
Balance at end of year		**12**	**10,345**	**2,423**	**9,258**	**13,916**	**–**	**35,954**
Accumulated Depreciation and Amortization								
Balance at beginning of year		**–**	**1,087,762**	**5,985,281**	**29,591**	**74,358**	**–**	**7,176,992**
Effect of deconsolidation of RHI	6	**–**	**(1,184,235)**	**(5,982,858)**	**(29,458)**	**(63,095)**	**–**	**(7,259,646)**
Depreciation and amortization		**–**	**105,380**	**–**	**7,082**	**1,702**	**–**	**114,164**
Balance at end of year		**–**	**8,907**	**2,423**	**7,215**	**12,965**	**–**	**31,510**
Net Book Value		**₱12**	**₱1,438**	**₱–**	**₱2,043**	**₱951**	**₱–**	**₱4,444**

	Land	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Office Furniture, Fixtures and Equipment	Construction in Progress	Total
	2013						
Cost							
Balance at beginning of year	₱12	₱2,769,756	₱11,935,543	₱34,587	₱81,046	₱63,506	₱14,884,450
Additions	–	5,344	46,887	–	2,962	162,556	217,749
Disposals	–	–	(28,564)	–	(68)	–	(28,632)
Reclassifications	–	11,067	111,959	–	1,107	(124,133)	–
Balance at end of year	12	2,786,167	12,065,825	34,587	85,047	101,929	15,073,567
Accumulated Depreciation and Amortization							
Balance at beginning of year	–	974,802	5,433,890	23,668	68,657	–	6,501,017
Depreciation and amortization	–	112,960	557,492	5,923	5,765	–	682,140
Disposal	–	–	(6,101)	–	(64)	–	(6,165)
Balance at end of year	–	1,087,762	5,985,281	29,591	74,358	–	7,176,992
Net Book Value	₱12	₱1,698,405	₱6,080,544	₱4,996	₱10,689	₱101,929	₱7,896,575

Construction in progress pertaining mainly to regular plant improvements and rehabilitation of milling equipment of RHI's subsidiaries was deconsolidated in 2014.

No capitalized borrowing cost was recognized on property and equipment in 2014 and 2013. Unamortized capitalized borrowing cost of RHI's subsidiaries as at September 30, 2013 amounting to ₱483.8 million with corresponding deferred tax liability of ₱145.1 million (see Note 27) were deconsolidated in 2014.

The amount of depreciation and amortization is allocated as follows:

	Note	**2014**	2013	2012
Cost of goods sold	23	**₱105,102**	₱627,555	₱625,648
General and administrative expenses	24	**9,062**	57,185	66,734
		₱114,164	₱684,740	₱692,382

Depreciation and amortization in 2013 includes amortization of software cost of ₱2.6 million (see Note 24).

In June 2013, certain property and equipment with a carrying value of ₱22.3 million were damaged due to fire (see Note 26). An insurance claim amounting to ₱40.9 million was received and recognized as other income in 2014.

As at September 30, 2014 and 2013, fully depreciated property, plant and equipment with an aggregate cost of ₱19.2 million and ₱2,316.8 million, respectively, are still being used in the operations.

As at September 30, 2014 and 2013, certain property, plant and equipment were mortgaged and used as collateral to secure the loan obligations with the local banks (see Note 16).

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

	Note	**2014**	2013
At appraised values:			
Balance at beginning of year		**₱2,758,312**	₱2,758,312
Effect of deconsolidation of RHI	6	**(2,758,312)**	–
Balance at end of year		**₱–**	₱2,758,312
At cost		**₱–**	₱384,503

14. **Investment Properties**

This account consists of:

	Note	**2014**	2013
Land properties	19	**₱4,440,125**	₱4,615,912
Building		**8,419**	8,419
		₱4,448,544	₱4,624,331

Movements on investment properties are as follows:

	Note	**2014**	2013
Balance at beginning of year		**₱4,624,331**	₱4,624,562
Effect of deconsolidation of RHI	6	**(191,837)**	–
Unrealized fair value gains (losses)		**16,050**	(231)
Balance at end of year		**₱4,448,544**	₱4,624,331

The Parent Company

The total carrying amount of the Parent Company's investment properties includes land properties that are subjected to the CARL with total land area of 2,300.6 hectares and total value of ₱4,046.0 million and ₱4,021.5 million as at September 30, 2014 and 2013, respectively (see Note 29).

As at September 30, 2014 and 2013, the fair value of investment properties, including those land properties subjected to the CARL, are based on the appraised values of the properties as at October 27, 2014 and October 25, 2012, respectively, as determined by a professionally qualified independent appraiser.

The SEC, in its letter dated January 26, 2011 to the Parent Company, approved the change in the accounting measurement of investment properties of the Parent Company, including land properties subjected to the CARL, from cost to fair value method and the transfer of the debit balance in the “Other equity reserve” to restricted retained earnings. The debit balance in the “Other equity reserve” amounting to ₱4.0 billion in 2009 resulting from the excess of the considerations received over the net assets acquired arising from the merger of CADPGC and Roxas & Company, Inc. (see Note 19). The SEC approved the foregoing accounting treatment on the basis of the facts and circumstances provided by the Parent Company.

On September 28, 2012, the Parent Company executed a Deed of Assignment, Warranties and Undertaking covering the Parent Company’s 75.12 hectares of land in Hacienda Palico located at Brgy. Cogonan, Nasugbu, Batangas with a carrying value of ₱202.6 million, by way of expropriation by the Philippine Government for a total consideration of ₱12.5 million, transferring the ownership to the farmer beneficiaries. The expropriation by the Philippine Government resulted to a loss amounting to ₱190.1 million in 2012. Moreover, the related net unrealized fair value gain on expropriated land properties amounting to ₱13.4 million included in the restricted retained earnings were reclassified to unrestricted retained earnings (see Note 19).

On June 6, 2013, the Parent Company received the compensation from LBP consisting of cash and unquoted debt security amounting to ₱1.2 million and ₱10.7 million, respectively, which was subsequently rediscounted (see Note 8).

On December 20, 2013, the Parent Company leased certain investment properties to a third party for a period of three cropyears. Rent income recognized amounted to ₱0.9 million in 2014 (see Notes 26 and 29).

As at September 30, 2014 and 2013, investment properties with carrying value of ₱6.8 million and ₱6.2 million, respectively, are used as collateral for the long-term borrowings (see Note 16).

<u>RLC</u>
Investment property of RLC pertains to a commercial building for lease in Nasugbu, Batangas. The fair value of the investment property as at September 30, 2014 and 2013 are based on the appraisal reports dated November 17, 2013, as determined by a professionally qualified independent appraiser. Management believes that the fair value as at September 30, 2014 does not significantly differ from the fair value obtained in 2013.

RLC recognized unrealized loss on fair value adjustment amounting to ₱0.2 million in 2013 (₱0.4 million in 2012) (see Note 26).

Rental income from this investment property amounted to ₱0.7 million and ₱0.8 million in 2014 and 2013, respectively (₱1.4 million in 2012) (see Note 26).

Bases of Valuation. The value of the properties was arrived at by using the Sales Comparison Approach. This is a comparative approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison.

15. **Short-term Borrowings**

Short-term borrowings consist of unsecured short-term loans obtained from various local banks to meet its working capital requirements. These short-term borrowings are payable within 30 days to 180 days in 2014 and 30 days to 120 days in 2013 and bear annual interest ranging from 3.0% to 6.5% in 2014 and 3.0% to 7.0% in 2013.

Total interest expense arising from short-term borrowings amounted to ₱11.6 million and ₱61.2 million in 2014 and 2013, respectively (₱129.6 million in 2012) (see Note 16).

16. **Long-term Borrowings**

Long-term borrowings consist of loans from:

	2014	2013
Bank of the Philippine Islands (BPI)	**₱150,000**	₱900,000
BDO	**108,975**	5,120,694
Syndicated Loans:		
BPI	**–**	896,552
Rizal Commercial Banking Corporation (RCBC)	**–**	448,276
BPI Family Savings Bank	**–**	4,095
	258,975	7,369,617
Current portion	**(22,500)**	(158,277)
Noncurrent portion	**₱236,475**	₱7,211,340

Outstanding balance of long-term loans of the Group follows:

	2014	2013
Parent Company	**₱150,000**	₱400,000
RLC	**108,975**	134,095
RHI and subsidiaries	**–**	6,835,522
	₱258,975	₱7,369,617

Loans of the Parent Company

BPI Loan

On January 21, 2013, BPI approved the modified principal repayment schedule of short-term loan amounting to ₱400.0 million into a long-term loan, which bears interest ranging from 4.50% to 5.50%. Interest is payable quarterly in arrears. Principal is payable in 20 equal amortizations commencing on January 2015 until 2019. Advance payment of ₱250.0 million was made in 2014.

Long-term borrowings of the Parent Company with BPI amounted to ₱150.0 million and ₱400.0 million as at September 30, 2014 and 2013, respectively.

The bank loan with BPI is classified as follows:

	2014	2013
Current portion	**₱22,500**	₱–
Noncurrent portion	**127,500**	400,000
	₱150,000	₱400,000

As at September 30, 2014 and 2013, the said loan is secured by real estate mortgages and pledge over shares of stock owned by the Parent Company as follows:

	Note	**2014**	2013
Shares of stock of RHI (99.6 million shares as at September 30, 2014 and 2013)		**₱322,265**	₱322,265
Real estate for sale and development of RLC	9	**178,821**	178,821
Investment property	14	**6,838**	6,216
Property, plant and equipment	13	**224**	370
		₱508,148	₱507,672

Loans of RLC
In 2013, the Company obtained a new term loan facility from BDO amounting to ₱130.0 million. The loan facility was released on a staggered basis, with the ₱85.0 million released in November 2012, the ₱20.0 million released in January 2013 and the remaining ₱25.0 million released in April 2013. The loans bear fixed interest of 4.25%, for the first 45 to 92 days and being repriced every 30 to 180 days. Principal amounts are payable quarterly after the one-year grace period as allowed by the bank for five years until 2018.

The loan facility is secured by RLC's real estate for sale and development amounting to ₱2.7 million as at September 30, 2014 and 2013 (see Note 9).

Loans of RHI
The outstanding loans of RHI as at September 30, 2013 are as follows:

BDO:	
Loan I	₱3,265,694
Loan II	925,000
Loan III	800,000
	4,990,694
Bank of the Philippine Islands (BPI)	500,000
Syndicated Loans:	
BPI	896,552
RCBC	448,276
	1,344,828
	6,835,522
Current portion	(158,277)
Noncurrent portion	₱6,677,245

The loan balance of RHI were deconsolidated in 2014 (see Note 6).

BDO Loan Facilities
On February 8, 2008, RHI signed the long-term loan facility (Loan I) with BDO for an aggregate amount of ₱4,619.0 million to finance the Expansion Project of RHI and its subsidiaries, 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.

The 2011 amendment provided a reduced interest of 6.5% with a requirement to RHI and CADPI/CACI 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 the loans in 2014 (see Note 11).

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.

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 as availed of by CADPI alone is payable on February 15, 2016 and bears interest at prevailing market rate being re-priced quarterly.

BPI Loan Facility
On June 14, 2012, CADPI entered a separate loan agreement with BPI 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.

Syndicated Loans
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.

Suretyship Agreements and Mortgage Trust Indenture
In relation to the BDO loan facility, the Parent Company, RHI and RLC entered in a Continuing Suretyship Agreement with BDO. Under the Agreement, BDO shall have the right to proceed against the surety for the payment of the secured obligations. The suretyship shall remain in full force and effect to secure any future indebtedness until released by the bank at the request of the surety.

Interest Expense
Total interest expense incurred, net of capitalized borrowing costs related to real estate projects of RLC amounting to ₱3.4 million and ₱2.0 million in 2014 and 2013, are as follows:

	2014	2013	2012
Continuing Operations:			
Long-term loans	**₱14,262**	₱24,872	₱21,543
Receivable from LBP	**900**	–	–
Short-term loans	**310**	884	6,956
	15,472	25,756	28,499
Discontinued Operations:			
Long-term loans	**52,324**	330,346	351,600
Short-term loans	**11,299**	60,316	122,645
	63,623	390,662	474,245
	₱79,095	₱416,418	₱502,744

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;
- prohibition on any material change in ownership or control of its business or capital stock or in the composition of its top level management and;
- prohibition on declaration or payment of dividends or any other capital or other asset distribution to its stockholders.

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

In November 2013, the Group obtained from creditor banks a letter consenting on the disposal of the Parent Company’s 31% equity interest in RHI in favor of First Pacific (see Note 1).

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

	2014	2013
Less than one year	**₱22,500**	₱158,277
Between one and two years	**172,725**	1,278,994
Between two and five years	**63,750**	2,589,478
Over five years	**–**	3,342,868
	₱258,975	₱7,369,617

17. **Trade and Other Payables**

This account consists of:

	Note	**2014**	2013
Trade		**₱61,689**	₱245,609
Due to:			
Related parties	20	**54,479**	59,465
Contractors		**–**	21,385
Planters		**–**	11,158
Accrued expenses:			
Payroll and other benefits		**22,266**	40,209
Interest		**1,515**	51,132
Outside services		**864**	318
Others		**3,654**	31,810
Customers' deposits		**12,898**	47,430
Payable to government agencies for taxes and statutory contributions		**₱982**	₱130,561
Provision for probable losses	29	**–**	48,438
Retention payable		**–**	7,285
Others		**17,826**	86,561
		₱176,173	₱781,361

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

Accrued other expenses consist principally of accruals for purchase of goods and services such as utilities, freight and handling and repairs and maintenance.

Details of customers' deposits follow:

	2014	2013
Real estate properties	**₱12,799**	₱17,036
Sugar and molasses	**–**	30,394
Others	**99**	–
	₱12,898	₱47,430

Customers' deposits represent noninterest-bearing cash deposits from buyers of the sugar and molasses, and cash received from the sale of real estate properties, which did not meet the revenue recognition criteria as set out in Note 4. Deposits from buyers of sugar and molasses of RHI's subsidiaries were deconsolidated in 2014 (see Note 6).

Payable to government agencies and other payables are noninterest-bearing and are normally settled throughout the year.Deposits from sale of real estate properties will be applied against the receivable from the customers upon recognition of revenue.

Other payables mainly pertain to reimbursements to employees and to third parties for sugar liens and other related fees.

18. **Retirement Benefits**

The Parent Company, RLC, and its associates, namely: RHI, CACI, and CADPI, maintain individual and separate funded non-contributory defined benefit plans covering all eligible employees.

Retirement Benefits

The amounts recognized as retirement benefits in the consolidated statements of income are as follows:

	2014	2013 (As restated - see Note 3)	2012 (As restated - see Note 3)
Current service cost	**₱8,882**	₱32,142	34,075
Interest cost	**2,028**	2,871	9,865
Adjustment due to curtailment	**–**	6,218	88,438
	₱10,910	₱41,231	₱132,378

The cumulative remeasurement gain (loss) on retirement liability recognized as other comprehensive income follows:

		2014		
	Note	**Cumulative Loss**	**Deferred Tax**	**Net**
Balance at beginning of year		**(₱328,993)**	**₱98,698**	**(₱230,295)**
Remeasurement gains		**1,924**	**(577)**	**1,347**
Effect of deconsolidation	6	**331,535**	**(99,460)**	**232,075**
Balance at end of year		**₱4,466**	**(₱1,339)**	**₱3,127**

	2013 (As restated - see Note 3)		
	Cumulative Loss	Deferred Tax	Net
Balance at beginning of year	(₱155,324)	₱46,597	(₱108,727)
Remeasurement loss	(173,669)	52,101	(121,568)
Balance at end of year	(₱328,993)	₱98,698	(₱230,295)

Retirement Liability

The retirement liability recognized in the consolidated statements of financial position follows:

	2014	2013 (As restated - see Note 3)
Present value of obligation	**₱16,967**	₱529,865
Fair value of plan assets	**(10,238)**	(298,033)
Retirement liability	**₱6,729**	₱231,832

Movements in the defined benefit obligation are as follows:

	Note	2014	2013 (As restated - see Note 3)
Balance at beginning of year		**₱529,865**	₱513,912
Current service cost		**8,882**	32,142
Interest cost		**4,642**	29,719
Benefits paid		**(2,950)**	(132,530)
Actuarial loss (gain)		**(4,749)**	86,622
Effect of deconsolidation of RHI	6	**(518,723)**	–
Balance at end of year		**₱16,967**	₱529,865

Movements in the fair value of plan assets are as follows:

	Note	2014	2013 (As restated - see Note 3)
Balance at beginning of year		**₱298,033**	₱463,005
Actual return on plan assets		**758**	26,293
Benefits paid		**(2,950)**	(132,530)
Contributions		**1,074**	124,403
Actuarial gain (loss)		**35,370**	(183,138)
Effect of deconsolidation	6	**(322,047)**	–
Balance at end of year		**₱10,238**	₱298,033

Plan assets of the Parent Company, RLC and RHI as at September 30, 2014 and 2013 consist of:

	2014	2013
Cash and cash equivalents	**100%**	6%
Government securities	**–**	69%
Stock and other securities	**–**	23%
Receivables	**–**	2%
	100%	100%

The Parent Company and RLC are expected to contribute a total of ₱10.0 million to their respective retirement funds for fiscal year ending September 30, 2015. The principal actuarial assumptions used in determining retirement benefits and gratuities cost as at beginning of each year follows:

	2014	2013
Discount rate	**3.84% to 3.89%**	5.03% to 5.35%
Future salary increases	**5% to 6%**	5% to 6%

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

	Change in Assumption	Effect on Retirement Liability
Discount Rate	+0.5%	(₱127,357)
	-0.5%	140,776
Salary Rate	+1%	277,971
	-1%	(232,257)

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.

Weighted average duration of the defined benefit liability is 16 years.

The expected return of 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 fund's past performance.

19. **Equity**

a. Capital Stock

Details of capital stock follows:

	2014		2013	
	Number of Shares	**Amount**	Number of Shares	Amount
Common stock "Class A" - ₱1 par value				
Authorized	**3,375,000,000**	**₱3,375,000**	3,375,000,000	₱3,375,000
Issued stock	**2,911,885,869**	**₱2,911,886**	2,911,885,869	₱2,911,886
Treasury stock	**(990,384,775)**	**(1,683,654)**	–	–
Issued and outstanding	**1,921,501,094**	**₱1,228,232**	2,911,885,869	₱2,911,886

On December 3, 2013, RCI implemented the buyback of 990,384,775 shares from four of its stockholders at the price of ₱1.70 a share in a private sale, representing 34% of the outstanding capital stock of RCI. The BOD approved the plan to buy back shares on November 13, 2013.

b. Track Record of Registration

Date	Number of Shares Licensed	Issue/Offer Price
October 7, 1918	15,000	₱100.00
February 15, 1963	2,500,000	10.00
September 30, 1969	3,000,000	10.00
January 13, 1977	5,000,000	10.00
May 21, 1990	12,500,000	10.00*
December 3, 1996	200,000,000	1.00
October 26, 1999	400,000,000	1.00
April 2, 2002	2,000,000,000	1.00
February 7, 2005	1,962,500,000	1.00
June 23, 2009	3,375,000,000	1.00

** Par Value was subsequently reduced to ₱1.00*

c. Additional Paid-in Capital and Revaluation Increment on Land

In 2002, RHI undertook the Reorganization Program. As part of the Reorganization Program, the sugar milling and refinery business in Nasugbu, Batangas was spun-off to CADPI. The assets and liabilities, excluding the land in Nasugbu, were transferred by RHI as capital contribution to CADPI. Such properties transferred include revaluation increment on depreciable property, plant and equipment amounting to ₱150.6 million. Thus, the carrying value of the net assets transferred to CADPI, including the revaluation increment, was deemed as the historical cost of such assets for CADPI (see Note 4).

On December 1, 2002, RHI exchanged its shareholdings in CADPI, CCSI and CFSI for ₱1.3 billion of CADPGC's common shares with a par value of ₱1 a share for ₱2.0 billion, the cost of investments of RHI immediately before transfer. CADPGC recognized a premium of ₱596.8 million and share in revaluation increment in property of subsidiary amounting to ₱150.6 million. Consequently, RHI's ownership interest in CADPGC increased and CADPI, CCSI and CFSI became wholly owned subsidiaries of CADPGC.

On July 1, 2004, CADPGC's Negros sugar milling business was spun-off, which was the last phase of the Reorganization Program. The said spin-off, as approved by the SEC on February 10, 2004, involved the transfer of CADPGC's net assets aggregating to ₱1.4 billion in exchange for CACI's 200 million common shares at ₱1 per share. The basis of valuation of the CACI shares received by CADPGC was the carrying value of the transferred net assets, which included the land at appraised values.

d. Restructuring on Equity

CADPGC and Roxas & Company, Inc. have undertaken a merger effective June 29, 2009, with CADPGC, as the surviving entity. The transaction was accounted for under pooling of interests and as such, comparative balances were presented as if the combining entities have always been combined. As a result, the investment of Roxas & Company, Inc. in CADPGC amounting to ₱119.0 million in 2008 prior to the merger was accounted for as treasury stock and revaluation increment on land of CADPGC increased to ₱280.0 million. Further, the excess between the consideration received and equity acquired arising from the merger was recognized by the combined entities as a component of equity under "Other equity reserve", which amounted to ₱4.0 billion in 2009.

In fiscal year ended June 30, 2011, the Group opted to transfer the balance of the "Other equity reserve" arising from the merger between Roxas & Company, Inc. and CADPGC as discussed in the preceding paragraph to restricted retained earnings as management believes that such transfer of the "Other equity reserve" arising from the merger will result to a more useful and relevant financial statements. In January 2011, the SEC had concurred with the adjustments made by the Parent Company (see Note 14).

e. Retained Earnings

Restricted and/or appropriated retained earnings
Retained earnings that are not available for dividend declaration are as follows:

	Note	**2014**	2013
Appropriation for treasury stock		**₱1,683,654**	₱–
Net unrealized fair value gains on investment properties included in the retained earnings	14	**283,545**	283,545
Application of revaluation increment against deficit		**203,075**	203,075
		₱2,170,274	₱486,620

On November 13, 2013, the Company appropriated a portion of its retained earnings amounting to ₱1,684.0 million for the cost of treasury shares acquired.

On October 14, 1999, the SEC approved the Parent Company's quasi-reorganization, which involved the elimination of deficit amounting to ₱203.1 million as at July 31, 1999 by offsetting the entire amount against the revaluation increment on land.

For purposes of dividend declaration, the retained earnings of the Parent Company shall be restricted to the extent of the deficit wiped out by the appraisal increment and the gain on changes in fair value on investment properties that was closed to retained earnings, net of the debit balance of "Other equity reserve" account (see Note 14).

Cash dividends declared by the Parent Company against the retained earnings are as follows:

Date Approved	Per Share	Total Amount	Stockholders of Record Date	Date Payable
December 13, 2013	₱0.02	₱38,430	January 6, 2014	January 30, 2014

Outstanding dividends payable amounted to ₱5.3 million and ₱4.4 million as at September 30, 2014 and 2013, respectively.

f. Share Prices

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

Quarter	High	Low
October 2013 through September 2014		
First	₱4.44	₱3.50
Second	3.38	3.37
Third	3.08	2.79
Fourth	2.96	2.85
October 2012 through September 2013		
First	3.50	1.68
Second	2.39	2.25
Third	3.00	2.27
Fourth	2.25	1.51
October 2011 through September 2012		
First	2.10	1.10
Second	3.20	1.26
Third	2.85	1.51
Fourth	2.25	1.51

20. Related Party Transactions

The transactions and related balances of the Group with other related parties are as follows:

Related Party	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 17)
Associates					
FDC	Noninterest-bearing advances	**2014**	**₱2,238**	**₱40,362**	**₱2,388**
		2013	–	27,302	2,388
	Dividends receivable*	**2014**	**–**	**–**	**–**
		2013	–	4,500	–
	Interest-bearing advances	**2014**	**–**	**–**	**10,822**
		2013	–	10,822	10,822
FLC	Noninterest-bearing advances	**2014**	**–**	**–**	**–**
		2013	–	–	8,816
	Dividends receivable*	**2014**	**–**	**4,624**	**–**
		2013	–	14,984	–
RADC	Noninterest-bearing advances	**2014**	**–**	**–**	**10,966**
		2013	–	–	10,966
CACI	Interest income on advances	**2014**	**3,841**	**–**	**–**
		2013	–	–	–
Joint Venture Partner					
VJ Properties, Inc.(VJPI)	Noninterest-bearing advances	**2014**	–	**7,552**	**1,906**
		2013	–	8,742	–
Marilo Realty Development Corporation	Noninterest-bearing advances	**2014**	**2,102**	**581**	**3,000**
		2013	–	–	318

(Forward)

Related Party	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 17)
LPC	Defrayment of cost and expenses for restructuring	**2014**	**₱–**	**₱3,112**	**₱23,850**
		2013	7,023	3,112	24,061
Retirement Fund					
CADP Retirement Fund, Inc. (CADPRFI)	Lease of office space	**2014**	**–**	**–**	**–**
		2013	1,543	–	1,997
	Noninterest-bearing advances	**2014**	**–**	**–**	**–**
		2013	–	4,758	–
RHI Retirement Fund, Inc. (RHIRFI)	Noninterest-bearing advances	**2014**	**–**	**–**	**–**
		2013	–	28,546	–
Others	Noninterest-bearing advances	**2014**	**19,088**	**9,639**	**1,547**
		2013	129	328	97
		2014		**₱65,870**	**₱54,479**
		2013		103,094	59,465

**Includes dividends receivable amounting to ₱4.6 million and ₱19.5 million as at September 30, 2014 and 2013, respectively.*

In the normal course of business, the Company extends/avails of advances to/from its related parties, with no definite repayment terms. The advances to and from related parties are non-interest bearing, except for short-term loan to CACI, which bears interest at 3% and interest-bearing advances to FDC, which bear interest at 10%. Interest income recognized amounted to ₱3.8 million and ₱238 in 2014 and 2013, respectively (₱0.5 million in 2012) (see Note 7).

In 2004, RLC and LPC by way of a Deed of Assignment of Rights, assigned to Punta Fuego Holdings Corporation (PFHC) the rights and privileges to their 105 and 245 club shares in CPFI, respectively. In consideration of the assignment of rights and privileges, PFHC pays RLC and LPC an amount equivalent to 85% of the net income earned from the club shares to be remitted on or before May 5 of each year beginning 2005. The respective shares of RLC and LPC were computed in proportion to the number of club shares they have each assigned. In 2005, PFHC and FDC merged with FDC, as the surviving entity. As a result, FDC assumed the said liability of PFHC to RLC. As at September 30, 2014, RLC is still in negotiation with FDC for the allocation of the actual number of shares assigned. RLC did not recognize assignment fee in 2014 and 2013.

As at September 30, 2013, the Company's outstanding receivables from CADPRFI represent advance payments made by the Parent Company to its redundated employees.

Outstanding balances at year-end are unsecured and settlement normally occurs in cash, unless otherwise indicated above. No guarantees have been provided or received for these balances. Advances to and from related parties are noninterest-bearing and have no fixed repayment terms unless otherwise indicated above. Impairment review is undertaken each financial year. As at September 30, 2014 and 2013, allowance for impairment loss amounting to ₱3.1 million pertains to due from LPC.

Compensation of key management is as follows:

	2014	2013 (As restated - see Note 3)	2012 (As restated - see Note 3)
Continuing Operations			
Salaries and short-term benefits	**₱12,720**	₱4,412	₱3,414
Retirement benefits	**1,413**	490	379
	14,133	4,902	3,793
Discontinued Operations			
Salaries and short-term benefits	**45,175**	55,484	54,481
Retirement benefits	**5,019**	5,943	6,053
	50,194	61,427	60,534
	₱64,327	₱66,329	₱64,327

On May 14, 2013, the BOD of the Parent Company approved the increase in the directors' remuneration payable in cash and shares of stock of the Parent Company. On March 6, 2014, RCI applied with the SEC for the approval of share-based compensation as an exempt transaction. As at the date of the report, the application for the issuance of the share component as director's remuneration is pending before the SEC. Consequently, no shares have been issued.

The fair value of the shares based on the closing price of shares on the PSE on the last trading day immediately preceding the meeting follows:

Date of Meeting	Number of shares	Market Value per Share	Amount
August 13, 2013	60,000	₱2.5	₱150,000
December 13, 2013	44,118	3.4	150,000
February 13, 2014	42,858	3.5	150,000
May 13, 2014	52,710	3.3	175,000
August 7, 2014	58,333	3.0	175,000

The expense recognized on the foregoing amounted to ₱0.9 million in 2014 presented as part of "Salaries, wages and other employee benefits" account in the consolidated statements of income.

21. **Employee Stock Option Plans (ESOP) of RHI**

The BOD of RHI approved the establishment of an ESOP of RHI on May 8, 2013. The ESOP covers all employees of RHI 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, 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 30.0 million common shares of RHI's unissued shares have been initially reserved under the ESOP.

RHI has granted 24.6 million shares of common stock under the ESOP. As at September 30, 2013, stock option granted remains outstanding and has not vested.

The fair value of the ESOP plan was estimated at the date of grant using Black Sholes-Merton model with the following inputs:

	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%

It also considered the exercise share price of ₱0.7 and a weighted average share price of ₱0.9 as at valuation date. 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 employee stock option expense recognized for employee services received amounted to ₱2.0 million in 2013 presented under “Salaries, wages and other employee benefits” account.

22. **Revenue**

Revenue from continuing operations consists of the following:

	2014	2013	2012
Sale of real estate	**₱199,809**	₱83,161	₱94,987
Others	**17,750**	24,597	119
	₱217,559	₱107,758	₱95,106

Revenue from discontinued operations (see Note 6) consists of:

	2014	2013	2012
Sale of:			
Refined sugar	**₱587,102**	₱3,728,423	₱3,648,085
Raw sugar	**432,770**	1,577,317	3,008,261
Alcohol	**121,881**	375,104	672,166
Molasses	**52,677**	363,763	196,267
Tolling fees	**–**	19,246	125,927
Others	**–**	875	23,787
	₱1,194,430	₱6,064,728	₱7,674,493

23. **Cost of Sales**

Cost of sales from continuing operations pertain to cost of real estate sales amounting to ₱105.6 million and ₱34.4 million in 2014 and 2013, respectively (₱40.9 million in 2012).
Cost of sales from discontinued operations (see Note 6) consists of:

	Note	**2014**	2013	2012
Cost of goods sold:				
Direct materials used	10	**₱396,137**	₱1,604,554	₱2,786,006
Cost of transporting cane to mill		**138,361**	848,113	888,670
Materials and consumables		**106,653**	233,984	276,778
Depreciation and amortization	13	**105,102**	627,555	625,648
Salaries, wages and other employee benefits	25	**66,426**	301,663	399,912
Repairs and maintenance		**54,810**	156,435	244,355
Fuel and oil		**26,351**	290,320	250,690
Taxes and licenses		**19,818**	77,827	150,942
Rent	29	**13,417**	60,713	51,224
Communication, light and water		**8,767**	77,875	72,364
Insurance		**7,790**	25,780	31,732
Outside services		**–**	120,833	89,016
Provision for inventory losses and obsolescence	10	**–**	12,114	59,727
Others		**10,409**	12,388	29,455
		₱954,041	₱4,450,154	₱5,956,519

24. **Operating Expenses**

General and administrative expenses from continuing operations consist of:

	Note	**2014**	2013 (As restated - see Note 3)	2012 (As restated - see Note 3)
Salaries, wages and other employee benefits	25	**₱34,056**	₱40,866	₱33,900
Outside services		**16,369**	13,157	13,346
Repairs and maintenance		**3,314**	1,773	1,343
Taxes and licenses		**3,263**	9,615	3,321
Communication, light and water		**3,163**	3,842	2,959
Representation and entertainment		**2,907**	3,762	5,084
Depreciation and amortization	13	**2,365**	2,491	2,583
Provision for impairment of pre-development cost	9	**2,323**	–	–
Travel and transportation		**1,597**	1,716	1,566
Provision for yield guarantee	29	**1,085**	–	–
Loss on insurance claims		**715**	–	–
Provision for impairment loss on AFS financial asset	12	**688**	–	–

(Forward)

	Note	2014	2013 (As restated - see Note 3)	2012 (As restated - see Note 3)
Materials and consumables		**₱607**	₱3,066	₱655
Provision for impairment losses on receivables	8	**288**	–	560
Corporate social responsibility		**179**	60	119
Insurance		**151**	202	415
Rent	29	**–**	–	1,038
Others		**7,555**	8,547	4,141
		₱80,625	₱89,097	₱71,030

Others include professional fees, training and development and other miscellaneous charges.

General and administrative expenses from discontinued operations (see Note 6) consist of:

	Note	2014	2013	2012
Salaries, wages and other employee benefits	25	**₱54,524**	₱193,762	₱249,738
Taxes and licenses		**23,522**	95,529	63,423
Depreciation and amortization	13	**6,697**	54,694	64,151
Transfer Cost		**4,651**	–	–
Outside services		**4,272**	109,261	78,465
Materials and consumables		**3,572**	25,356	21,367
Training		**2,947**	–	–
Corporate social responsibility		**2,836**	11,043	2,354
Rent	29	**2,737**	22,511	22,453
Insurance		**2,303**	27,774	29,505
Communication, light and water		**1,787**	10,373	9,817
Research and Development		**1,190**	–	–
Travel and transportation		**885**	6,517	19,367
Repairs and maintenance		**768**	8,079	11,357
Provision for impairment losses on receivables	8	**–**	6,236	100,319
Representation and entertainment		**–**	1,953	1,390
Provision for inventory losses and obsolescence	10	**–**	1,430	–
Provision for probable losses	29	**–**	–	85,003
Provision for impairment losses on creditable withholding taxes		**–**	–	1,187
Others		**16,017**	48,646	24,659
		₱128,708	₱623,164	₱784,555

Selling Expenses
Selling expense from continuing and discontinued operations follow:

	2014	2013	2012
Continuing operations	**₱20,106**	₱19,184	₱3,523
Discontinued operations (see Note 6):			
Sugar liens and monitoring fees	**₱5,662**	₱35,800	₱74,990
Advertising and shipping cost	**25**	4,561	–
	₱5,687	₱40,361	₱74,990

25. **Personnel Costs**

The components of employee benefits from continuing operations presented under "General and administrative expenses" account in the consolidated statements of income are as follows:

	Note	**2014**	2013	2012
Salaries and wages	23, 24	**₱13,817**	₱32,711	₱25,928
Allowances and other employee benefits	23, 24	**16,828**	4,882	6,106
Retirement benefits	18	**3,411**	3,273	1,866
		₱34,056	₱40,866	₱33,900

The components of employee benefits from discontinued operations are as follows:

	Note	**2014**	2013	2012
Salaries and wages	23, 24	**₱76,407**	₱412,096	₱404,550
Allowances and other employee benefits	23, 24	**37,044**	45,371	114,588
Retirement benefits	18	**7,499**	37,958	130,512
		₱120,950	₱495,425	₱649,650

Employee benefits from discontinued operations are allocated as follows:

	Note	**2014**	2013	2012
Cost of sales	23	**₱66,426**	₱301,663	₱399,912
General and administrative expenses	24	**54,524**	193,762	249,738
		₱120,950	₱495,425	₱649,650

26. **Other Income (Charges)**

Other income (charges) from continuing operations consists of:

	Note	**2014**	2013	2012
Rent income	14	**₱1,602**	₱835	₱1,356
Net foreign exchange gains (losses)		**3**	6	(6)
Income from performance bank guarantee		**–**	65,837	–
Loss on disposal of property and equipment and investment properties	14	**–**	–	(190,651)
Others		**698**	(64,289)	14,705
		₱2,303	₱2,389	(₱174,596)

Other income (charges) from discontinued operations (see Note 6) consists of:

	Note	**2014**	2013	2012
Net foreign exchange gains (losses)		**₱50**	(₱607)	(₱7,767)
Sugar and molasses handling fees		**–**	22,940	11,335
Loss on property and equipment due to fire	13	**–**	(22,305)	–
Rent income	29	**–**	6,625	5,756
Recovery from insurance claims		**–**	5,340	20,676
Income from performance bank guarantee		**–**	(3,003)	–
Sale of scrap		**–**	1,998	10,393
Unrealized fair value gains (losses) on investment property	14	**–**	–	5,351
Gain (loss) on sale of property and equipment	14	**–**	–	327
Others		**11,562**	94,301	66,564
		₱11,612	₱105,289	₱112,635

Recovery from insurance claims pertains to the amount collected from the insurer which represents recovery from loss of irreparable equipment. Others pertain mainly to replenishment fees in 2014 and 2013.

In September 2013, RBC 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, ₱27.1 million was used to settle receivable from the plant contractor, while the remaining ₱65.8 million was recognized as other income.

27. **Income Taxes**

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

	2014	2013 (As restated - see Note 3)	
	Net Deferred Tax Assets(1)	Net Deferred Tax Assets(1)	Net Deferred Tax Liabilities(2)
Deferred tax assets on:			
Taxable temporary difference arising from use of installment method of revenue recognition for tax reporting	**(₱2,564)**	₱–	₱–
Retirement liabilities	**2,140**	6,914	–
Cash advances from customers	**1,801**		
Unrealized gross profit on inventory	**634**	4,390	50
Allowance for:			
Impairment losses on investments in associates	**1,213**	1,384	–
Inventory losses and obsolescence	**697**	4,275	–
Impairment losses of receivables	**933**	34,942	–
Impairment losses on creditable withholding taxes	**–**	3,663	–
Various accruals	**600**	23,418	–
Net unrealized foreign exchange loss	**8**	1,626	–
Preoperating expenses	–	–	27,711
Unamortized past service cost	**–**	71,490	398
Excess MCIT	**–**	9,521	–
Employee stock option	**–**	155	427
	5,462	161,778	28,586
Deferred tax liabilities on:			
Retirement assets	**(381)**	(724)	63,362
Revaluation increment on land	**(171)**	(4,995)	(743,289)
Prepaid commission	**(118)**		
Unamortized capitalized interest	**–**	(117,386)	(27,760)
Unrealized gain on fair value adjustment on investment property	**–**	(381)	(1,605)
Share in noncontrolling interest on revaluation increment on land	**–**	–	(17,004)
Unrealized foreign exchange loss	**–**	(1)	–
Unrealized share in fair value reserve of an associate	**–**	(171)	–
	(670)	(123,658)	(726,296)
Net deferred tax assets (liabilities)	**₱4,792**	₱38,120	(₱697,710)

(1) The recognized net deferred tax assets pertain to the Parent Company, RHI, RLC, CADPI and CACI.
(2) The recognized net deferred tax liabilities pertain to the Parent Company, RHI, RLC RBC and NAVI.

Presentation of net deferred tax assets (liabilities) is as follows:

	Note	2014	2013 (As restated - see Note 3)
Through profit or loss		**₱6,131**	(₱758,288)
Through other comprehensive income	18	**(1,339)**	98,698
		₱4,792	(₱659,590)

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

	2014	2013 (As restated - see Note 3)
NOLCO	**₱33,017**	₱120,317
Allowance for impairment losses on:		
Investments in associates	**14,262**	15,312
Receivables	**2,813**	8,886
AFS financial assets	**206**	–
Allowance for inventory losses and obsolescence	**–**	3,751
Excess MCIT	**199**	3,576
	₱50,497	₱151,842

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.

c. Details of benefits arising from NOLCO and MCIT and the corresponding analysis of the tax effect are as follow:

NOLCO

Incurred for the Period Ended	Balance as at Beginning of Year	Applied	Expired	Balances as at the End of the Year	Tax Effect	Available Until
September 30, 2011	₱ 10,943	₱–	₱10,943	₱–	₱–	September 30, 2014
September 30, 2012	45,122	–	–	45,122	13,537	September 30, 2015
September 30, 2013	43,787	3,190	–	40,597	12,179	September 30, 2016
September 30, 2014	24,338	–	–	24,338	7,301	September 30, 2017
	₱124,190	₱3,190	₱10,943	₱110,057	₱33,017	

MCIT

Incurred for the Period Ended	Balance as at Beginning of Year	Applied	Balances as at the End of the Year	Available Until
September 30, 2013	₱ 1,172	₱1,157	₱15	September 30, 2016
September 30, 2014	184	–	184	September 30, 2017
	₱1,356	₱1,157	₱199	

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

	2014	2013 (As restated - see Note 3)	2012 (As restated - see Note 3)
Income tax expense (benefit) at statutory rate	**₱676,909**	(₱15,806)	(₱65,198)
Adjustments resulting from:			
Changes in unrecognized deferred tax assets	**1,270**	17,463	(5,416)
Expired MCIT	**–**	–	14
Expired NOLCO	**3,283**	–	–
Tax effects of:			
Gain on disposal of a subsidiary	**(610,811)**	–	–
Equity in net losses (earnings) of associates	**(59,078)**	(20,408)	(14,734)
Interest income already subjected to final tax and dividend income exempt from tax	**(80)**	(621)	(284)
Nondeductible interest expense	**63**	216	227
Deficiency taxes	**–**	13,177	25,501
Nontaxable gain on change in fair value of investment properties	**(4,815)**	–	–
Nondeductible loss on expropriation of land	**–**	–	57,249
Others	**2,234**	7,024	9,878
Income tax expense	**₱8,975**	₱1,045	₱7,237

The reconciliation between the income tax expense from discontinued operations (see Note 6) 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	**₱16,208**	₱220,596	₱165,521
Tax effects of:			
Equity in net earnings of an associate	**(2,502)**	(20,291)	(14,734)
Interest subjected to final tax and dividend income exempt from tax	**(13)**	(460)	(249)
Nondeductible deficiency taxes	**–**	13,208	25,501
Nondeductible unrealized gross profit on inventories	**–**	12,957	–
Nondeductible expenses	**–**	11,699	36,323
Nondeductible interest expense	**5**	167	191
Adjustments resulting from:			
Application of MCIT	**–**	20,571	–
Changes in unrecognized deferred tax assets	**–**	(6,890)	(367,896)
Expiration of excess MCIT	**–**	–	14
Others	**(1,487)**	(1,342)	8,037
Income tax expense (benefit)	**₱12,211**	₱250,215	(₱147,292)

28. **Earnings (Loss) Per Share**

Basic/diluted earnings (loss) per share are computed as follows:

	Note	2014	2013 (As restated - see Note 3)	2012 (As restated - see Note 3)
Net income (loss) attributable to the equity holders of the Parent Company:		**₱2,274,885**	₱265,283	₱234,693
Continuing operations		**2,233,018**	(214,792)	(453,376)
Discontinued operations	6	**41,866**	485,032	698,799
Weighted average number of shares issued and outstanding		**1,921,501**	2,911,886	2,911,886
Basic/diluted earnings (loss) per share:		**₱1.18**	₱0.09	₱0.08
Continuing operations		**1.16**	(0.08)	(0.16)
Discontinued operations		**0.02**	0.17	0.24

There are no potential dilutive common shares as at September 30, 2014 and 2013.

29. **Commitments and Contingencies**

Contingencies

Land Properties Subjected to the CARL. The Comprehensive Agrarian Reform Law (CARL) provides, among others, the redistribution of all private and agricultural lands regardless of tenurial arrangements and commodity produced, subject to certain terms and conditions.

Prior to the effectivity of the CARL, the Parent Company was the registered owner of around 2,900 hectares of land located in Nasugbu, Batangas. In 1993, the Department of Agrarian Reform (DAR) issued Notices of Coverage, and subsequently, Certificates of Land Ownership Awards (CLOAs) covering 2,676 hectares of the Parent Company's three *haciendas*, namely: Palico, Banilad and Carmen/Caylaway.

Sometime in 1993, the Parent Company filed a case questioning the DAR's acquisition proceedings and asking for the cancellation of the CLOAs. On December 17, 1999, the Supreme Court promulgated its Decision in GR No. 127876 nullifying the DAR acquisition proceedings over the three haciendas. The High Tribunal ruled that the Parent Company's right to due process was violated by the DAR. However, the Supreme Court did not nullify the CLOAs that were issued by the DAR despite its declaration that the acquisition proceedings were null and void.

In May 2000, the Parent Company filed with the DAR an application for the CARL exemption of its three haciendas in Nasugbu, Batangas. This exemption application was based on Presidential Proclamation (PP) No. 1520, which declared the entire municipality of Nasugbu as a Tourist Zone. The Parent Company likewise filed exemption applications for smaller areas based on the 1982 Zoning Ordinance of Nasugbu, Batangas.

In December 2009, the Supreme Court ruled that PP No. 1520 did not automatically reclassify the agricultural land in Nasugbu, Batangas to non-agricultural land. However, the Supreme Court noted that the Parent Company "can only look to the provisions of the Tourism Act and not to PP No. 1520, for possible exemption."

Consequently, in April 2010, the Parent Company filed with the Tourism Infrastructure and Enterprise Zone Authority (TIEZA) an application to declare 14 specific geographical areas within the Parent Company landholdings as tourism zones. To date, this application has remained unacted upon.

In February 2012, the Supreme Court affirmed the exemption of the 21.1236-hectare property from the coverage of the Comprehensive Agrarian Reform Program (CARP).

In October 2012, the Parent Company disclosed that the DAR published the Notice of Coverage (NOC) on several RCI properties aggregating 2,514.76 hectares. The Parent Company filed a protest in the office of the DAR against the wrongful coverage (failure to observe the proper rules before publishing the said Notice of Coverage and the applicable law (RA No. 6657 vs. RA No. 9700). On June 17, 2014, the DAR issued a revised NOC covering RCI properties aggregating 2,300.60 hectares.

On October 16, 2013, the DAR ordered the denial of the Protest. On December 9, 2013, the Parent Company filed a Motion for Reconsideration (MR) with the DAR. On April 15, 2014, the DAR denied the MR of the Parent Company. On June 27, 2014, the Parent Company filed a Petition for Certiorari to the Court of Appeals (CA). As at the date of the report, the petition is still pending before the CA.

The Parent Company shall account for any legal and financial liabilities arising from the land properties subject to CARL upon the resolution of ownership by the Supreme Court.

In total, there are about 222 hectares of land that were declared by the courts or the DAR as exempt from the coverage of the CARL, including the 21 hectare property declared exempt by the Supreme Court in its Decision dated September 5, 2011 in GRN 169331.

On May 14, 2013, the BOD approved the authority of management to begin negotiations with the DAR for possible voluntary offer to sell (VOS) of 76 hectares in Hacienda Palico and 26 hectares in Hacienda Caylaway. The intention by management of whether to push through with the VOS is dependent on the outcome of the applications for exemption, exclusion or conversion of land covered by the CARP. As at the date of the report, there is no agreement yet with the DAR on the properties approved for VOS.

On December 13, 2013, the BOD of the Parent Company approved management's request for reconfirmation of management's plan to explore the government's VOS program using 76 hectares in Hacienda Palico and 26 hectares in Hacienda Caylaway under certain conditions. This supersedes all previous proposals relating to the government's VOS program.

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 a provision for losses in 2014 and 2013.

Outstanding provision for losses for disputed claims and assessments amounted to ₱48.4 million as at September 30, 2013 presented under "Trade and other payables" account (see Note 17).

Joint Operations

On December 2, 2009, RLC entered into a joint arrangement with VJ Properties, Inc. (VJPI) for the development of Anya Resorts and Residences in Tagaytay, Cavite. RLC agreed to contribute the business and conceptual development plan, land development costs and management expertise and manpower for the full and effective implementation of the development plan. In addition, RLC also advanced ₱10.0 million to VJPI as an indication of its commitment to the project. In return for their respective contributions, the parties agreed to distribute and allocate between them the developed saleable lots and villas.

Total costs incurred for the project as at September 30, 2014 amounted to ₱101.4 million and are presented as part of "Raw land and land improvements" under "Real estate for sale and development" account in the consolidated statements of financial position (see Note 9).

Lease-back Guarantee

In 2014, RLC entered into a lease-back guarantee with eight buyers of Anya Resort Suites. The said buyers will be entitled to a guaranteed lease along with the usage allowance for the first five years, equivalent to a 37% of the purchase price, inclusive of fixtures, furniture and equipment and VAT. The guaranteed funds will be distributed each quarter reckoned from the date of full opening of operations of the Resort.

As at September 30, 2014, the provision for lease-back guarantee amounted to ₱1.1 million.

Lease Commitments

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 ₱4.0 million in 2013 (₱4.0 million in 2012).

On December 20, 2013, the Group leased a portion of its investment property to a third party, which runs for a period of three cropyears and is renewable for another three cropyears. Rent income recognized amounted to ₱0.9 million in 2014 (see Note 14).

Unused Credit Lines

As at September 30, 2014 and 2013, the Group has unused lines of credit with local banks amounting to ₱678.64 million and ₱2,922.5 million, respectively (see Notes 15 and 16).

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30. **Financial Instruments**

Risk Management, Objectives and Polices

The Group's principal financial instruments comprise of cash in banks and cash equivalents, receivables and 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, interest rate risk and foreign currency risk. The Group monitors the market price risk arising from all financial instruments. The Group is also exposed to commodity price risk. 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 (see Notes 15 and 16).

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 as at September 30, 2014 and 2013:

	2014					
	On demand	**Less than One Year**	**One to Two Years**	**Two to Four Years**	**Over Five Years**	**Total**
Short-term borrowings*	**₱93,150**	**₱–**	**₱–**	**₱–**	**₱–**	**₱93,150**
Accounts payable and accrued expenses**	**107,814**	**12,898**	**–**	**–**	**–**	**120,712**
Due to related parties	**54,479**	**–**	**–**	**–**	**–**	**54,479**
Dividends payable	**5,298**	**–**	**–**	**–**	**–**	**5,298**
Long-term borrowings	**–**	**36,330**	**172,918**	**74,708**	**–**	**283,956**
	₱260,741	**₱49,228**	**₱172,918**	**₱74,708**	**₱–**	**₱557,595**
Cash in bank and short-term placements	**₱139,535**	**₱–**	**₱–**	**₱–**	**₱–**	**₱139,535**
Trade receivables***	**26,377**	**99,671**	**8,317**	**3,269**	**2,787**	**140,421**
Due from related parties	**10,946**	**50,300**	**–**	**–**	**–**	**61,246**
Due from employees****	**124**	**929**	**172**	**–**	**–**	**1,225**
Other receivables	**9,427**	**–**	**–**	**–**	**–**	**9,427**
	₱186,409	**₱150,900**	**₱8,489**	**₱3,269**	**₱2,787**	**₱351,854**

* *Includes expected interest payments for short-term and long-term borrowings amounting to ₱0.8 million and ₱25.0 million, respectively.*
** *Excludes payable to government agencies amounting to ₱1.0 million.*
*** *Includes noncurrent portion of installment contract receivables amounting to ₱2.4 million.*

	2013					
	On demand	Less than One Year	One to Two Years	Two to Four Years	Over Five Years	Total
Short-term borrowings*	₱114,161	₱909,466	₱–	₱–	₱–	₱1,023,627
Accounts payable and accrued expenses**	539,195	6,444	–	–	–	545,639
Due to related parties	59,465	–	–	–	–	59,465
Dividends payable	4,444	–	–	–	–	4,444
Current portion of long-term borrowings	201,777	–	–	–	–	201,777
Long-term borrowings, net of current portion*	–	1,831	653,639	5,166,811	–	5,822,281
	₱919,042	₱917,741	₱653,639	₱5,166,811	₱–	₱7,657,233

	2013					
	On demand	Less than One Year	One to Two Years	Two to Four Years	Over Five Years	Total
Cash in bank and short-term placements	₱162,941	₱–	₱–	₱–	₱–	₱162,941
Trade receivables***	211,399	965,155	80,540	8,537	4,269	1,269,900
Due from related parties	29,999	137,861	–	–	–	167,860
Due from employees****	6,759	50,740	9,404	–	–	66,903
Other receivables	174,833	662	–	–	–	175,495
AFS financial asset	8,223	–	–	–	–	8,223
	₱594,154	₱1,154,418	₱89,944	₱8,537	₱4,269	₱1,851,322

* *Includes expected interest payments for short-term and long-term borrowings amounting to ₱3.1 million and ₱1,189.5 million, respectively.*

** *Excludes payable to government agencies amounting to ₱130.6 million.*

*** *Includes noncurrent portion of installment contract receivables amounting to ₱11.9 million.*

**** *Net of related allowances for impairment losses amounting to ₱14.9 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. There is no concentration of credit risk with respect to receivables relating to real estate sales.

Credit risks for contract receivables is mitigated as the Group has the right to cancel the sales contract without risk for any court action and can take possession of the subject property in case of refusal by the buyer to pay on time the contracts receivables due. This risk is further mitigated because of the corresponding title to the party sold under this arrangement is transferred to the buyers only upon full payment of the contract price. The financial effect of this arrangement is equivalent to the total contracts receivables which amounts to ₱71.4 million as at September 30, 2013.

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 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	**₱139,535**	₱197,309
Trade receivables*	**132,648**	1,294,314
Due from related parties*	**48,760**	68,014
Due from employees*	**1,225**	34,511
Dividend receivable	**4,624**	19,484
Other receivables*	**9,272**	178
AFS financial assets*	**–**	8,223
	₱336,064	₱1,678,304

** Net of allowance for impairment losses totaling ₱14.1 million and ₱95.5 million in 2014 and 2013, 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.

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 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 and an aging analysis of past due but not impaired accounts:

	2014						
	Neither past due nor impaired			**Past due but not impaired**		**Impaired**	
	High Grade	**Standard Grade**	**Substandard Grade**	**Over 30 Days**	**Over 90 Days**	**Financial Assets**	**Total**
Cash in banks and cash equivalents	**₱138,317**	**₱ 1,218**	**₱–**	**₱–**	**₱–**	**₱–**	**₱139,535**
Trade receivables	**97,498**	**8,122**	**–**	**18,710**	**8,318**	**762**	**133,410**
Due from related parties	**48,760**	**–**	**–**	**–**	**–**	**12,486**	**61,246**
Due from employees	**980**	**245**	**–**	**–**	**–**	**–**	**1,225**
Dividend receivables	**4,624**	**–**	**–**	**–**	**–**	**–**	**4,624**
Other receivables	**7,536**	**1,604**	**–**	**37**	**95**	**155**	**9,427**
AFS financial assets	**–**	**–**	**–**	**–**	**–**	**688**	**688**
	₱297,715	**₱11,189**	**₱–**	**₱18,747**	**₱8,413**	**₱14,091**	**₱350,155**

	2013						
	Neither past due nor impaired			Past due but not impaired		Impaired	
	High Grade	Standard Grade	Substandard Grade	Over 30 Days	Over 90 Days	Financial Assets	Total
Cash in banks and cash equivalents	₱195,587	₱1,722	₱–	₱–	₱–	₱–	₱197,309
Trade receivables	971,977	74,479	–	171,577	76,281	52,925	1,281,828
Due from related parties	83,610	–	–	–	–	15,596	83,610
Due from employees	27,608	6,903	–	–	–	1,342	35,853
Dividend receivables	19,484	–	–	–	–	–	19,484
Other receivables	178	–	–	–	–	11,517	11,695
AFS financial assets	–	–	8,223	–	–	–	8,223
	₱1,344,989	₱83,104	₱8,223	₱171,577	₱76,281	₱81,380	₱1,638,002

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 collectability.

The Group has recognized an impairment loss on its financial assets using specific assessment amounting to ₱0.7 million and ₱6.2 million in 2014 and 2013, respectively (see Note 8).

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. Interest rate risk is the risk that the fair value or future cash flows on a financial instrument will fluctuate because of changes in market interest rates.

The Group has interest-bearing loans which bear floating interest rate 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**
0.5%	(₱11,239)	**(₱34,723)**
(0.5%)	11,239	**34,723**

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 15 and 16).

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 balance sheets as its capital. The Group monitors its use of capital using leverage ratios, specifically, DSCR and 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	**₱539,561**	₱10,200,504
Total equity	**6,932,963**	10,040,294
Total liabilities and equity	**₱7,472,524**	₱20,240,798
Debt-to-equity ratio	**0.08:1.0**	1.02:1.0

Fair Values

The following is a comparison by category of the carrying amount and fair values of the Group's financial instruments that are reflected in the consolidated financial statements as of:

	2014		2013	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Cash on hand	**₱256**	**₱256**	₱1,317	₱1,317
Loans and receivables:				
Cash in banks and short-term placements	**139,535**	**139,535**	197,309	197,309
Trade receivables	**132,648**	**132,648**	1,294,314	1,294,314
Due from related parties	**48,760**	**48,760**	68,014	68,014
Due from employees	**1,225**	**1,225**	34,511	34,511
Dividend receivable	**4,624**	**4,624**	19,484	19,484
Other receivables	**9,272**	**9,272**	178	178
AFS financial assets	**–**	**–**	8,223	8,223
	₱336,320	**₱336,320**	₱1,623,350	₱1,623,350

	2014		2013	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Liabilities				
Other financial liabilities:				
Short-term borrowings	**₱9,386**	**₱9,386**	₱1,064,027	₱1,064,027
Accounts payable and accrued expenses	**131,102**	**131,102**	580,678	580,678
Due to related parties	**44,089**	**44,089**	59,465	59,465
Dividends payable	**5,298**	**5,298**	4,444	4,444
Long-term borrowings	**150,000**	**150,000**	7,369,617	7,369,617
	₱339,875	**₱339,875**	₱9,078,231	₱9,078,231

The following methods and assumptions are used to estimate the fair value of each class of financial instruments.

Cash in banks and short-term placements, receivables, short-term borrowings, current portion of long-term borrowings, accounts payable and accrued expenses, dividends payable and due to related parties. The carrying amounts of these instruments approximate their 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 3 in which the inputs are based on the discounted interest rate of the prevailing comparable instrument in the market.

The Group's financial instruments recorded at fair value have the following hierarchy levels:

- Level 1 - at quoted prices in active markets;
- Level 2 - at inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - at inputs that are not based on observable market data.

The Group has no financial instruments carried at fair value in the consolidated financial statements as at September 30, 2014 and 2013.

31. **Segment Reporting**

Following the deconsolidation of RHI (see Note 6), the segment information for 2013 has been restated to conform to these changes. The Group's identified operating segments, which are consistent with the segments reported to the BOD, are as follows:

a. Real Estate

RLC is the real estate arm of the Group. RLC acquires, develops, improves, subdivides, leases and sells agricultural, industrial, commercial, residential and other real properties. The Group, through RLC, has subsidiaries, namely: FHPMC, RVHC, FDC, FLC, CPFI and RADC.

b. Others

Other segments of the Group include the Parent Company, which owns various tracts of lands in Nasugbu, Batangas and UVC, a leasing company.

The Group has only one geographical segment as all of its assets are located in the Philippines. The Group operates and derives principally all of its revenue from domestic operations. Thus, geographical business information is not required.

The Parent Company's BOD 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 statements of income.

Financing costs (including interest expense) and income taxes are managed on a 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.

a. Segment revenue and expenses

The Group's main revenue stream comes from the real estate. The real estate segment's customers are mainly direct.

b. Segment assets and liabilities

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, real estate for sale and development, prepayments and property 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			
	Real Estate	**Others**	**Eliminations and Adjustments**	**Consolidated Balances**
Revenue				
External customers:				
Real estate	**₱199,809**	**₱–**	**₱–**	**₱199,809**
Others	**13,354**	**85,653**	**(81,257)**	**17,750**
	213,163	**85,653**	**(81,257)**	**217,559**
Costs and Expenses	**(183,903)**	**(29,607)**	**107,932**	**(105,578)**
Interest income	**4,867**	**4,545**	**(141)**	**9,271**
Interest expense	**(4,388)**	**(11,225)**	**141**	**(15,472)**
Others	**3,277**	**1,317,968**	**832,224**	**1,953,660**
Income before income tax	**33,016**	**1,367,334**	**659,090**	**2,059,440**
Income tax expense	**8,267**	**708**	**–**	**8,975**
Segment Income	**24,749**	**1,366,626**	**659,090**	**2,050,465**
Equity in net earnings of associates and a joint venture	**–**	**16,050**	**180,875**	**196,926**
Consolidated Net Income	**₱24,749**	**₱1,382,674**	**₱839,965**	**₱2,247,390**
Other Information				
Major costs and expenses -				
Depreciation and amortization	**₱1,494**	**₱871**	**₱–**	**₱2,365**
Additions to noncurrent assets:				
Property, plant and equipment	**2,502**	**236**	**–**	**2,738**
Investments in associates and a joint venture	**155,000**	**1,709,495**	**302,883**	**2,167,378**
Assets and Liabilities				
Current assets	**718,307**	**148,646**	**(22,000)**	**844,953**
Noncurrent assets	**302,365**	**5,927,201**	**398,006**	**6,627,572**
Total Assets	**₱1,020,672**	**₱6,075,847**	**₱376,006**	**₱7,472,525**
Current liabilities	**₱543,791**	**₱35,542**	**(₱282,975)**	**₱296,358**
Noncurrent liabilities	**5,612**	**128,617**	**108,975**	**243,204**
Total Liabilities	**₱549,403**	**₱164,159**	**(₱174,000)**	**₱539,562**

	2013 (As restated)			
	Real Estate	Others	Eliminations and Adjustments	Consolidated Balances
Revenue				
External customers:				
Real estate	₱83,161	₱–	₱–	₱83,161
Others	24,203	91,355	(90,961)	24,597
	107,364	91,355	(88,948)	107,758

(Forward)

	2013 (As restated)			
	Real Estate	Others	Eliminations and Adjustments	Consolidated Balances
Costs and Expenses	(₱121,641)	(₱27,968)	₱26,066	(₱123,543)
Interest income	5,300	168	23	5,491
Interest expense	(4,916)	(20,840)	–	(25,756)
Others	93,157	417	(4,445)	89,129
Income (loss) before income tax	79,264	43,131	(69,317)	53,079
Income tax expense (benefit)	61	307	(1,414)	(1,046)
Segment Income (Loss)	79,203	42,824	(67,903)	54,124
Equity in net earnings of associates	–	–	(392)	(392)
Consolidated Net Income (Loss)	₱79,203	₱42,824	(₱68,295)	₱53,732
Other Information				
Major costs and expenses -				
Depreciation and amortization	₱1,816	₱548	₱–	₱2,364
Additions to noncurrent assets:				
Property, plant and equipment	567	90	–	657
Investments in associates	–	–	–	–
Assets and Liabilities				
Current assets	544,389	49,452	(18,794)	575,047
Noncurrent assets	207,046	6,669,561	(2,332,086)	4,544,521
Total Assets	₱751,435	₱6,719,013	(₱2,350,880)	₱5,119,568
Current liabilities	₱138,316	₱66,735	(₱42,503)	₱162,548
Noncurrent liabilities	157,277	401,193	(80,862)	477,608
Total Liabilities	₱295,593	₱467,928	(₱123,365)	₱640,156

32. **Events After Reporting Year**

On December 12, 2014, the BOD of the Parent Company approved the declaration and payment of cash dividend of ₱0.02 a share to all stockholders of record as at January 15, 2015. The cash dividend is payable on January 30, 2015.

On December 5, 2014, the BOD of RHI 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.

REYES TACANDONG & CO.
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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
ON SUPPLEMENTARY SCHEDULE

The Stockholders and the Board of Directors
Roxas and Company, Inc.
7th Floor, Cacho-Gonzales Building
101 Aguirre Street, Legaspi Village
Makati City

We have audited in accordance with Philippine Standards on Auditing, the separate financial statements of Roxas and Company, Inc. and Subsidiaries as at and for the years ended September 30, 2014 and 2013 (with comparative figures for 2012) and have issued our report thereon dated January 13, 2015. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary schedule of unappropriated retained earnings available for dividend declaration for the year ended September 30, 2014 is the responsibility of the Company's management. This schedule is presented for purposes of complying with the Securities Regulations Code Rule 68, as amended, and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states, in all material respects, the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

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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

January 13, 2015
Makati City, Metro Manila

ROXAS AND COMPANY, INC.

SUPPLEMENTARY SCHEDULE OF UNAPPROPRIATED RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

FOR THE YEAR ENDED SEPTEMBER 30, 2014

Unappropriated retained earnings at beginning of year as shown in the separate financial statements (as restated)	₱960,506,122
Net income during the year closed to retained earnings, net of deferred tax assets amounting to ₱918,723 at end of year	1,383,514,019
Cash dividends declared during the year	(38,430,022)
Unappropriated retained earnings available for dividend declaration at end of year	₱2,305,590,119

Reconciliation:	
Unappropriated retained earnings at end of year as shown in the separate financial statements	₱622,854,724
Appropriation for treasury stock	1,683,654,118
Deferred tax asset at end of year	(918,723)
Retained earnings at the end of year available for dividend declaration	₱2,305,590,119

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REPORT OF INDEPENDENT AUDITOR
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Roxas and Company, Inc.
7th Floor, Cacho-Gonzales Building
101 Aguirre Street, Legaspi Village
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Roxas and Company, Inc. and Subsidiaries (the Group) as at and for the years ended September 30, 2014 and 2013 (with comparative figures for 2012), and have issued our report thereon dated January 13, 2015. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplementary schedules listed in the Index to Consolidated Financial Statements, Supplementary Schedules on Financial Soundness Indicators and Corporate Structure are the responsibility of the Group's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68 Part II and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state in all material respects, the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

REYES TACANDONG & CO.

PROTACIO T. TACANDONG
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January 13, 2015
Makati City, Metro Manila

ROXAS AND COMPANY, INC. AND SUBSIDIARIES
Index to Consolidated Financial Statements
As at and For the Year Ended September 30, 2014

Table of Contents

N/A - Not applicable

SCHEDULE A

ROXAS AND COMPANY, INC. AND SUBSIDIARIES

FINANCIAL ASSETS

SEPTEMBER 30, 2014 AND 2013
(AMOUNTS IN THOUSANDS)

	September 30, 2014		September 30, 2013	
Description	**Carrying Value**	**Fair Value**	Carrying Value	Fair Value
Cash on hand	**₱256**	**₱256**	₱1,317	₱1,317
Loans and receivables:				
Cash in banks and cash equivalents	**139,535**	**139,535**	197,309	197,309
Trade receivables	**132,648**	**132,648**	1,281,828	1,281,828
Due from related parties	**48,760**	**48,760**	80,500	80,500
Due from employees	**1,225**	**1,225**	34,511	34,511
Dividend receivable	**4,624**	**4,624**	19,484	19,484
Others	**9,613**	**9,613**	56,449	56,449
Available-for-sale financial assets	**–**	**–**	8,223	8,223
	₱336,661	**₱336,661**	₱1,679,621	₱1,679,621

SCHEDULE B

ROXAS AND COMPANY, INC. AND SUBSIDIARIES

AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)

SEPTEMBER 30, 2014

(AMOUNTS IN THOUSANDS)

	Balance at beginning of year	Additions	Amounts collected	Amounts written off	Current	Noncurrent	Balance at end of year
Various employees (educational loans/advances)	₱33,695	₱–	₱33,695	₱–	₱–	₱–	₱–

SCHEDULE C

ROXAS AND COMPANY, INC. AND SUBSIDIARIES

AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING CONSOLIDATION OF FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

(AMOUNTS IN THOUSANDS)

Name and designation of debtor	Balance at beginning of year	Additions	Amounts collected	Effect of deconsolidation	Current	Noncurrent	Balance at end of year
Roxas Holdings, Inc	₱1,631	₱–	₱1,631	(₱1,631)	₱–	₱–	₱–
Roxaco Land Corporation	183	12,000	(183)	–	12,000	–	12,000
Nasugbu Feeds Corporation	345	–	–	–	345	–	345
CADP Farm Services, Inc.	14,926	–	–	(14,926)	–	–	–
Najalin Agri-Ventures, Inc.	14,750	–	–	(14,750)	–	–	–
Central Azucarera Don Pedro, Inc.	5,781	30,000	(30,000)	(5,781)	–	–	–
CADP Insurance Agency, Inc.	599	–	–	(599)	–	–	–
Roxas Power Corporation	446	–	–	(446)	–	–	–
CADP Port Services, Inc.	353	–	–	(353)	–	–	–
CADP Consultancy Services, Inc.	274	–	–	(274)	–	–	–
Jade Orient Management Services, Inc.	157	–	–	(157)	–	–	–
Central Azucarera De La Carlota, Inc.	–	220,000	(220,000)	–	–	–	–
Fuego Hotels and Properties Management Corporation	–	10,000	–	–	10,000	–	10,000
	₱39,445	₱272,000	(₱248,552)	(₱38,917)	₱22,528	₱–	₱22,345

SCHEDULE D

ROXAS AND COMPANY, INC. AND SUBSIDIARIES

INTANGIBLE ASSETS – OTHER ASSETS
SEPTEMBER 30, 2014
(AMOUNTS IN THOUSANDS)

Description	Beginning balance	Additions at cost	Amortization	Charged to other accounts	Other changes additions (deductions)	Ending balance
Goodwill	₱9,796	₱–	₱–	₱–	₱9,796	₱–
Software cost	5,123	–	–	–	5,123	–
	₱14,919	₱–	₱–	₱–	₱14,919	₱–

The intangible assets are included in the “Other noncurrent assets” account. The balances were derecognized resulting from the deconsolidation of Roxas Holdings, Inc. in 2014.

SCHEDULE E

ROXAS AND COMPANY, INC. AND SUBSIDIARIES

LONG-TERM BORROWINGS
SEPTEMBER 30, 2014
(AMOUNTS IN THOUSANDS)

Title of issue and type of obligation	Amount shown under caption "Current portion of long-term borrowings" in related consolidated statement of financial position	Amount shown under caption "Long-term borrowings" in related consolidated statement of financial position
Loans payable to local banks:		
Bank of the Philippine Islands (BPI)	₱22,500	₱127,500
Banco de Oro Unibank, Inc.	–	108,975
	₱22,500	₱236,475

The details, interest, loan covenants and other terms and conditions, among others, are discussed in Notes 16 to consolidated financial statements.

SCHEDULE H

ROXAS AND COMPANY, INC. AND SUBSIDIARIES

CAPITAL STOCK

SEPTEMBER 30, 2014

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related consolidated statement of financial position caption	Number of shares reserved for options, warrants, conversion, and other rights	Number of shares held by related parties	Directors and officers	Others
Common shares – "Class A" at ₱1 par value	3,375,000,000	1,921,501,095	–	58	845,902,828	1,075,598,209

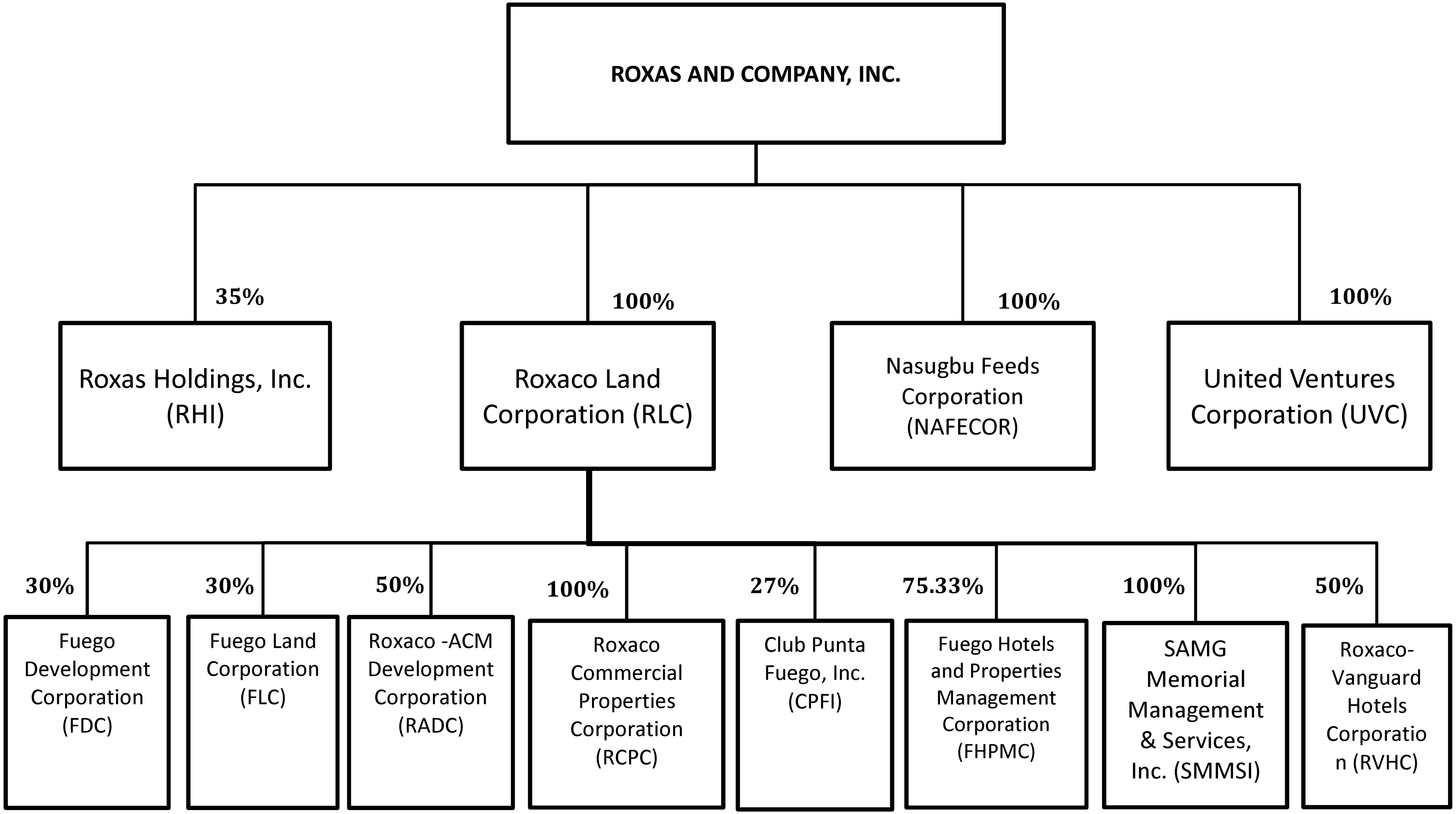
ROXAS AND COMPANY, INC. AND SUBSIDIARIES

FINANCIAL SOUNDNESS INDICATORS

SEPTEMBER 30, 2014

Liquidity ratio	
Current ratio	**3:1**
Solvency ratio	
Debt to equity ratio	**0.08:1**
Asset to Equity ratio	**1.08**
Debt Service Coverage ratio	
Interest Rate Coverage ratio	**31.15**
Probability ratios	
Return on Assets	**30.82%**
Return on Equity	**33.23%**

ROXAS AND COMPANY, INC. AND SUBSIDIARIES
ORGANIZATIONAL STRUCTURE
September 30, 2014



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101 Aguirre Street, Legaspi Village
Makati City

We have audited the accompanying consolidated financial statements of Roxas and Company, Inc. and Subsidiaries as at and for the years ended September 30, 2014 and 2013 (with comparative figures for 2012), and have issued our report thereon dated January 13, 2015. Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplementary Schedule of Adoption of Effective Accounting Standards and Interpretations is the responsibility of the Company's management. This schedule is presented for purposes of complying with Securities Regulation Code Rule 68, as amended, and is not part of the basic consolidated financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

REYES TACANDONG & CO.

PROTACIO T. TACANDONG
Partner
CPA Certificate No. 25006
Tax Identification No. 105-309-124-000
BOA Accreditation No. 4782; Valid until December 31, 2015
SEC Accreditation No. 1024-AR-1 Group A
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

January 13, 2015
Makati City, Metro Manila

ROXAS AND COMPANY, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF ADOPTION OF EFFECTIVE ACCOUNTING STANDARDS AND INTERPRETATIONS

SEPTEMBER 30, 2014

Title	Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics	✓		
PFRSs Practice Statement Management Commentary			✓

Philippine Financial Reporting Standards (PFRSs)

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	✓		
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held-for-Sale and Discontinued Operations	✓		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
PFRS 8	Operating Segments	✓		
PFRS 9*	Financial Instruments	✓		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
PFRS 10*	Consolidated Financial Statements	✓		
PFRS 11*	Joint Arrangements	✓		
PFRS 12*	Disclosure of Interests in Other Entities	✓		
PFRS 13*	Fair Value Measurement	✓		

Philippine Accounting Standards (PASs)

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
PAS 19 (Amended)*	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Consolidated and Separate Financial Statements	✓		
PAS 27 (Amended)*	Separate Financial Statements	✓		
PAS 28	Investments in Associates	✓		
PAS 28 (Amended)*	Investments in Associates and Joint Ventures	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures	✓		
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓

PHILIPPINE INTERPRETATIONS

No.	Title	Adopted	Not Adopted	Not Applicable
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2	✓		
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment	✓		

No.	Title	Adopted	Not Adopted	Not Applicable
IFRIC 11	PFRS 2 - Group and Treasury Share Transactions	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs	✓		

Roxas & Company, Inc.

A N N E X "B"

Annual Report to Stockholders

Roxas
& Company, Inc.

ANNUAL REPORT 2014

BOLDER & BIGGER

VISION

Roxas & Company, Inc. aims to be a premier publicly-listed holding firm with investments in the country's leading sugar cane-based solutions provider and property development business.

MISSION

- To maintain businesses that deliver superior results to customers and other stakeholders.
- To deliver long-term growth in shareholder value.
- To be a responsible corporate citizen by participating in nation- and community-building.
- To ensure that our businesses promote environmental protection and sustainable development practices.
- To provide nurturing environment to develop and empower our people.

VALUES

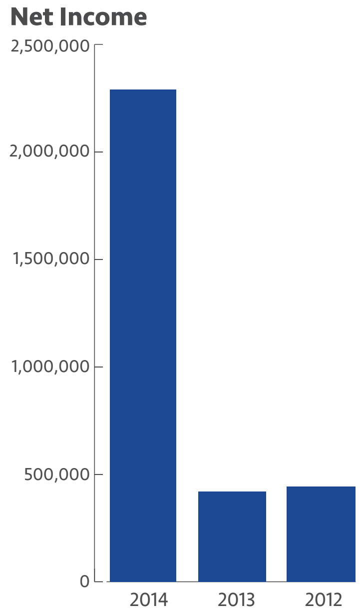
R - Resiliency and Reliability
O - Observance of Good Corporate Governance Policies
X - eXcellence and Innovation
A - Accountability and Integrity
S - Social Responsibility and Nation-Building

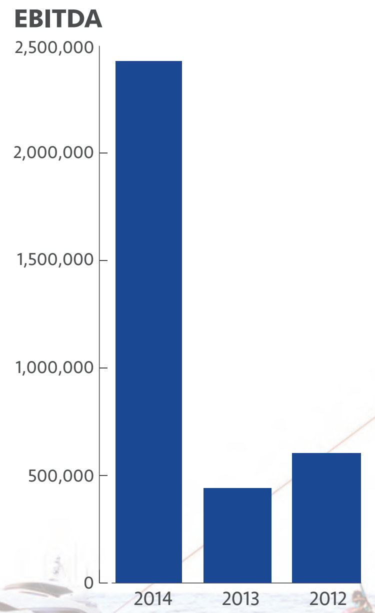
CONTENTS

BOLDER & BIGGER

Roxas & Company is making a gigantic leap in building a brave new world. This is a world where people of a class above the rest can experience life to the fullest. It is an empire of beautiful hotels and resorts that give visitors a taste of the heights of the good life. Stellar designs. Outstanding facilities. Indelible life experiences. For Roxas & Company and its clients, nothing less than the Bolder & Bigger will do, as they conquer new frontiers.

FINANCIAL HIGHLIGHTS





AMOUNTS IN PHP THOUSANDS

	2014	2013 (As restated)	2012 (As restated)
Revenues	217,559	107,758	95,106
Net Income	2,289,233	431,753	474,931
EBITDA	2,316,045	461,045	513,250
Total Assets	7,472,524	20,240,798	19,464,992
Total Equity	6,932,963	10,040,294	9,822,610
Earnings Per Share	1.19	0.15	0.16
Book Value Per Share	3.61	3.44	3.37
Return on Asset	30.64%	2.13%	2.44%
Return on Equity	33.02%	4.30%	4.84%
Debt to Equity	0.08	1.02	0.98

MESSAGE FROM THE CHAIRMAN/PCEO

"There is no doubt that together, we can be channels of significant change for the Filipino people..."

PEDRO E. ROXAS
Chairman & President/CEO

The Group's Board of Directors during one of their meetings.

DEAR SHAREHOLDERS:

Amid a difficult external environment, the Philippine economy proved to be resilient in the past year.

This resilience defined the Philippine economy which was able to recapture the interest of global investors. The once "Sick Man of Asia" has shed its image and is now a promising Asian country that is in the investing public's radar.

EXPANSION

Underlying the country's growth story are the manufacturing and real estate sectors.

Identified as a vital contributor to the economic expansion in the Philippines, the real estate sector grew by less than 10% in the past year.

With the renewed investor interest pushing developments across the country, particularly in the area of real estate sector, Roxas & Company, Inc. moved boldly to seize opportunities and build on the momentum.

Now, Roxas & Company's presence is felt even deeper in key tourist areas while it continues to fortify its leadership in the residential sector in Batangas.

DIVESTMENT

In order for your company to focus on expanding its real estate portfolio, Roxas & Company made a major strategic decision to give up majority control of its investment in listed sugar group Roxas Holdings, Inc. by selling 31% equity ownership to the subsidiary of Hong Kong-based First Pacific Company Ltd.

This decision enabled Roxas & Company to buy out its minority shareholders, to fund the expansion of its tourism-related realty projects and to pay down its debts.

The proceeds of the sale of equity ownership on RHI to First Pacific Natural Resources Holdings BV Netherlands amounted to PhP2.22 billion,

MESSAGE FROM THE CHAIRMAN/PCEO

RHI, the sugar arm of RCI, operates Central Azucarera de la Carlota, Inc. in Negros Occidental (in this photo) and the Central Azucarera Don Pedro, Inc. in Batangas.

beefing up Roxas & Company's consolidated net income by 430% to PhP2.29 billion.

With the deal, your company remains as a major shareholder of Roxas Holdings with 35%, followed by First Pacific with 34%.

OPERATIONS

Roxas & Company's consolidated revenues for the fiscal year amounted to PhP217.6 million, 201% higher than last year's PhP108 million — driven mainly by higher revenues from the Anya Resort and Landing Townhouse projects of our real estate arm, Roxaco Land Corporation.

Gross profit for the period amounted to PhP112 million, or 51% of revenues, slightly lower than last year's 68% due to the increase in the cost of development.

Due to the deconsolidation of Roxas Holdings from Roxas & Company starting December 2013, net income from discontinued operations amounted to PhP42 million, 91% lower than last year.

Overall, the Group registered a consolidated net income of PhP2.29 billion, substantially higher than last year's PhP431.8 million due to the gain on the sale of investment in Roxas Holdings and improved results of operations. Earnings per share increased from PhP0.15 to PhP1.19.

We are also pleased to share that for the fiscal year that ended September 30, 2014, Roxas & Company recorded the highest EBITDA of PhP2.32 billion compared to the PhP461 million last year.

STRONGER AND BOLDER

With these positive developments, your company is in a better position to drive further growth that reflects the strategic directions of the Group.

As we take stock of the promising and rich opportunities for the Group, Roxas & Company has set out to establish the continued growth and ensure the viability of our property operations by defining the actions that it will judiciously take over time.

These include:

- The completion of the land development of two current Batangas residential projects: Landing Townhouse and Orchards Phase II, as well as those of the townhomes and houses;
- The development of phase two of Anya Resort and Residences;
- The formal launch and groundbreaking for the phase three of Anya Resort and Residences;
- The acquisition of new properties within Greater Metro Manila for potential low-to medium-density residential development;
- The completion of the first Go Hotel property in partnership with Vanguard, by May 2015, and the commencement of four other properties until 2016; and
- The increase in the ownership in Fuego Hotels to up to 100% and the enlargement of our property management operations through investment or partnership.

We hope that as we carry out these plans within the year, we will be able to fortify our presence in the key areas where we have rolled out projects, secure a larger market niche, and be ready to compete in the national and global arenas.

Yes, we are aware that we cannot have our footprint all over the Philippines, and more so, in the Asian region, overnight. It will take a lot of work but we are confident that with the high standards that we show in every project we have and the amount of commitment that we put in, we will emerge stronger and bolder to compete and take on national and Asian competitors.

Our realty and tourism-related projects, and our continuing involvement in the sugar industry, are all testaments to our aspiration to be a premier publicly-listed holding firm.

With tourism picking up at an unexpected pace, and real estate steadily gaining ground, complemented by the attractive prospects of an integrated sugar business despite the concomitant challenges that come with the ASEAN economic integration, it is imperative for Roxas & Company to emerge stronger and bolder.

These times call for a different kind of commitment — one that transcends boundaries. At Roxas & Company, we are grateful that we have that kind of unbridled commitment alive in our people, the force that steers our organization to conquer more areas and leave lasting imprints.

The tenets that have catapulted your company to what it is now are embodied in the values of resiliency and reliability, enshrined in our dedication to observe Good Corporate Governance Policies, driven by excellence and innovation, anchored on accountability and integrity, and embedded in our sense of social responsibility and nation-building.

There is no doubt that together, we can be channels of significant change for the Filipino people and our other clients as we strive to live out the values built into the core of ROXAS.

May our vision of a better Philippines made even beautiful by our realty projects, and products from our integrated sugar business, and other business interests drive us to further success.

Let me take this opportunity then to extend our deepest gratitude for the men and women who have supported us all these years — to our Board of Directors for their guidance and wisdom; to our hardworking Management team and colleagues at the Group and our subsidiaries who always give their best shot; and to our loyal stockholders, partners and customers who have believed in and continue to believe in us.

Without your unwavering support, we would not have reached this point.

Thank you.

PEDRO E. ROXAS
Chairman & President/CEO

BOARD OF DIRECTORS

FROM LEFT TO RIGHT:

PEDRO E. ROXAS
CHAIRMAN/PCEO

ANTONIO J. ROXAS
DIRECTOR

CARLOS R. ELIZALDE
DIRECTOR

FRANCISCO JOSE R. ELIZALDE
DIRECTOR

FROM LEFT TO RIGHT:

GUILLERMO D. LUCHANGCO*
DIRECTOR

RENATO C. VALENCIA
DIRECTOR

CORAZON S. DE LA PAZ-BERNARDO*
DIRECTOR

* Independent Director

BOARD OF DIRECTORS' PROFILES

PEDRO E. ROXAS is 58 years old and is a Filipino. Mr. Roxas is the Chairman of the Nomination, Election and Governance Committee and is a member of the Compensation Committee. He has been a Director of the Company since 18 October 1995. He is currently the Executive Chairman of the Board and the President and Chief Executive Officer of the Company. He is the Chairman of Roxas Holdings, Inc. and other subsidiaries of RHI, Hawaiian-Philippine Company, Club Punta Fuego and Roxaco Land Corporation. He is a Director of Brightnote Assets Corporation, PLDT, Meralco and BDO Private Bank. Mr. Roxas is the President of Philippine Sugar Millers Association, Inc., Fundacion Santiago and Roxas Foundation and he is a Trustee of the Philippine Business for Social Progress. Mr. Roxas was educated at Portsmouth Abbey School, USA and at the University of Notre Dame, USA where he obtained his degree in Business Administration.Mr. Roxas is married to Regina Tambunting and they have three (3) children.

ANTONIO J. ROXAS is 72 years old and is a Filipino. Mr. Roxas is a member of the Nomination, Election and Governance Committee. He has been a Director of the Company since 18 October 1995. Mr. Antonio J. Roxas is also the Chairman Emeritus of Roxas Holdings, Inc., and a director of Central Azucarera Don Pedro, Inc. Mr. Roxas was educated at the University of Notre Dame in Indiana, USA where he obtained his diploma in Bachelor of Science in Commerce and was trained at the Standard Chartered Bank of London, the Shell Company in Paris and the Olavarria & Co. and Lowry & Co., Inc. of New York, USA.

CORAZON S. DE LA PAZ-BERNARDO is Honorary President of the International Social Security Association (ISSA), an affiliate of the International Labor Organization and based in Geneva, Switzerland. She had served as President of the ISSA from 2004 to 2010, the first woman and first non-European to be elected as such, since its founding in 1927, and as the first woman President of the Social Security System of the Philippines from 2001 to 2008. She is also the first woman, anywhere in the world, to be elected in 1973 partner of Price Waterhouse International in its over 100-year history. She was Chairman and Senior Partner of Joaquin Cunanan & Co. (PricewaterhouseCoopers, Philippines) for 20 years from 1981 to 2001 and was in the World Board of Price Waterhouse World Firm from 1992 to 1995. Mrs. De la Paz-Bernardo was Chairperson of Equitable PCI Bank from 2006 until its merger with Banco de Oro in 2007. She had served as a member of the board of several listed Philippine corporations such as San Miguel Corp., PLDT, Ayala Land and Philex Mining. She is Chairman of NAMFREL, (the National Citizen's Movement for Free Elections) and Vice-Chairperson of Jaime V. Ongpin Foundation. She is also a member of the Cornell University Council, the Board of Trustees of the University of the East, the UE Ramon Magsaysay Memorial Medical Center, Miriam College, the Makati Business Club and other non-governmental organizations. Mrs. de la Paz- Bernardo, a Certified Public Accountant, graduated from the University of the East with a Bachelor of Business Administration degree in

1960, Magna Cum Laude, and obtained first place in the same year's CPA board examination. She obtained her MBA in 1965 from Cornell University in New York as a Fullbright grantee and UE scholar.

CARLOS R. ELIZALDE is 46 years old and is a Filipino. He has been a member of the Board of Directors since 20 November 2002. Mr. Elizalde is the President of ELRO Commercial and Industrial Corp. and ELRO Land Corp., Vice-President of ELRO Trading Corp. and Bais Multifarms, Inc. He is director of SPCI Holdings, Inc., Central Azucarera de la Carlota, Inc., Association Agricola de Bais y Tanjay and BATAMA Marketing Cooperative. Mr. Elizalde was educated at the College of Vermont in Burlington Vermont, USA with a degree in Bachelor of Science in Agricultural Economics.

FRANCISCO JOSE R. ELIZALDE is 48 years old and is a Filipino. He was elected as member of the Board of Directors on 25 June 2009. Mr. Elizalde is the Managing Director of ELRO Corporation and Vice President of its Consumer Goods Business Unit. He is a Director in SPCI Holdings, Inc., ELRO Trading Corporation, ELRO Land, Inc., Bais Multi Farms, Inc., Twenty Four Hours Vendo Machine Corporation, Roxaco Land Corporation, Club Punta Fuego, Inc., and Mutual Fund Management Company of the Philippines, Inc. Mr. Elizalde was educated at Portsmouth Abbey School, USA and at the University of Vermont, USA where he obtained a degree in Bachelor of Science.

GUILLERMO D. LUCHANGCO is 74 years old and is a Filipino. Mr. Luchangco is the Chairman of the Compensation Committee of RCI. He is the Chairman and Chief Executive Officer of the ICCP Group of Companies which includes: Investment & Capital Corporation of the Philippines, Pueblo de Oro Development Corporation, Regatta Properties, Inc., ICCP Venture Partners, Inc., Cebu Light Industrial Park, Inc., RFM-Science Park of the Philippines, Inc., and ICCP Land Management, Inc.; Chairman and President of Beacon Property Ventures, Inc.; Chairman of Manila Exposition Complex, Inc. He is a Director of Globe Telecom, Inc., Phinma Corp., Phinma Property Holdings Corp., Ionics, Inc., Ionics EMS, Inc., Ionics EMS, Ltd., Ionics Properties, Inc., Remec Broadband Wireless, Inc. and Science Park of the Philippines, Inc. Mr. Luchangco is an independent director of the Company and he possesses all the qualifications and none of the disqualifications of an independent director since he was first nominated and elected to the Board of Directors on 18 November 2009.

RENATO C. VALENCIA is 72 years old and is a Filipino. He was elected as a member of the Board of Directors on 07 October 2010. A former Director of RCI prior to its merger with CADP Group Corporation, he is presently the President & CEO of Roxas Holdings, Inc., Director of Metropolitan Bank & Trust Company, Member of the Phil. Coca-Cola System Council, Chairman of i-People, Inc., Director of Anglo-Philippine Holdings Corporation, Board Adviser of Philippine Veterans Bank, Chairman of Hypercash Payment Systems, Inc., Chairman of Bastion Payment Systems, Inc. and Vice-Chairman of Asia Pacific Network Holdings, Inc.

COMMITTEES

CORAZON S. DE LA PAZ-BERNARDO*
CHAIRMAN
Audit and Risk

MEMBER
Compensation

MEMBER
Nomination, Election & Governance

RENATO C. VALENCIA
MEMBER
Audit and Risk

FRANCISCO JOSE R. ELIZALDE
MEMBER
Audit and Risk

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* Independent Director

GUILLERMO D. LUCHANGCO*
CHAIRMAN
Compensation

PEDRO E. ROXAS
CHAIRMAN
Nomination, Election & Governance

MEMBER
Compensation

ANTONIO J. ROXAS
MEMBER
Nomination, Election & Governance

* Independent Director

CORPORATE OFFICERS

ARMANDO B. ESCOBAR[1]

VP, CHIEF FINANCE OFFICER,
TREASURER & RISK MANAGEMENT OFFICER

- 54 years old and is a Filipino. He is the Vice President, Chief Finance Officer, Treasurer & Risk Management Officer of the company. He was formerly the Group President and Chief Operating Officer of Moldex Group of Companies and Vitarich Corporation. He was formerly Senior Vice President and Chief Operating & Special Accounts Management Group Head of Philippine Bank of Communications, Director of Bancnet, Inc. Mr. Escobar obtained his Bachelor of Science in Business Management in Ateneo de Manila University, MBA units in University of the Philippines, Executive Business Program in Harvard Business School and Post-Graduate course in Strategic Business Economics Program in University of Asia and Pacific.

PETER A. BAROT[2]

CORPORATE SECRETARY

- 52 years old and is a Filipino. He is the Corporate Secretary of the Company. He obtained his Bachelor of Arts (Economics) and Bachelor of Laws from the University of the Philippines, and his Master of Laws from the University of Chicago. He is a Partner at the Picazo Buyco Tan Fider & Santos Law Offices.

ALEZANDRO S. CASABAR[3]

ASSISTANT CORPORATE SECRETARY
& COMPLIANCE OFFICER

- 34 years old and is a Filipino. He is the Assistant Corporate Secretary and Compliance Officer of the Company. He is also the Legal Services Manager of Roxaco Land Corporation, the real property arm of the Company. He obtained his Bachelor of Laws degree from San Beda College and his Bachelor of Arts degree from the University of the Philippines – College Baguio.

RCI'S FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Roxas and Company, Inc. and Subsidiaries
7th Floor, Cacho-Gonzales Building
101 Aguirre Street, Legaspi Village
Makati City

We have audited the accompanying consolidated financial statements of Roxas and Company, 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 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 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 and Company, 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 and Company, 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, did not include the restatement as 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. 4748319
Issued January 5, 2015, Makati City

January 13, 2015
Makati City, Metro Manila

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	7	P139,791	P198,626	P199,473
Trade and other receivables	8	194,142	1,455,687	895,218
Real estate for sale and development	9	441,012	387,943	340,533
Inventories	10	–	1,550,894	779,336
Other current assets	11	70,008	538,482	479,120
Total Current Assets		844,953	4,131,632	2,693,680
Noncurrent Assets Receivables - net of current portion	8	2,387	17,089	18,180
Investments in associates and a joint venture	12	2,167,404	757,559	712,490
Property, plant and equipment: At cost	13	4,444		8,383,935
At appraised values		–	2,758,312	2,757,810
Investment properties	14	4,448,544	4,624,331	4,624,562
Net deferred tax assets	27	4,792	38,120	153,828
Retirement assets	18	–	–	82,868
Other noncurrent assets		–	17,180	37,639
Total Noncurrent Assets		6,627,571	16,109,166	16,771,312
		P7,472,524	P20,240,798	P19,464,992
LIABILITIES AND EQUITY				
Current Liabilities				
Short-term borrowings	15	P92,386	P1,064,027	P1,638,000
Current portion of long-term borrowings	16	22,500	158,277	165,940
Trade and other payables	17	176,173	781,361	840,232
Dividends payable	19	5,298	4,444	39,230
Income tax payable		–	51,513	–
Total Current Liabilities		296,357	2,059,622	2,683,402

(Forward)

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)
Noncurrent Liabilities				
Long-term borrowings - net of currentportion	16	P236,475	P7,211,340	P6,056,044
Retirement liability	18	6,729	231,832	134,824
Net deferred tax liabilities	27	–	697,710	768,112
Total Noncurrent Liabilities		243,204	8,140,882	6,958,980
Total Liabilities		539,561	10,200,504	9,642,382
Equity attributable to the Equity Holders of the Parent Company				
Capital stock	19	2,911,886	2,911,886	2,911,886
Additional paid-in capital	19	1,611,393	1,611,393	1,611,393
Treasury stock	19	(1,683,654)	–	–
Other equity reserves		289,263	1,326,346	1,447,914
Retained earnings		3,809,706	2,328,190	2,062,907
		6,938,594	8,177,815	8,034,100
Noncontrolling Interests		(5,631)	1,862,479	1,788,510
Total Equity		6,932,963	10,040,294	9,822,610
		P7,472,524	P20,240,798	P19,464,992

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME
SEPTEMBER 30, 2014 and 2013 (With Comparative Figures for 2012)
(Amounts in Thousands, Except Basic/Diluted Earnings (Loss) per Share Data)

	Note	2014	2013 (As Restated - Note 3)	2012 (As Restated - Note 3)
REVENUE	22	P217,559	P107,758	P95,106
COST OF SALES	23	(105,579)	(34,446)	(40,864)
GROSS INCOME		111,980	73,312	54,242
GAIN ON DISPOSAL OF A SUBSIDIARY	6	2,036,038	–	–
EQUITY IN NET EARNINGS (LOSSES) OF ASSOCIATES AND A JOINT VENTURE	12	196,953	392	(1,927)
GENERAL AND ADMINISTRATIVE EXPENSES	24	(80,625)	(89,097)	(71,030)
SELLING EXPENSES	24	(20,106)	(19,184)	(3,523)
UNREALIZED FAIR VALUE GAIN ON INVESTMENT PROPERTIES	14	16,050	(231)	(375)
INTEREST EXPENSE	16	(15,472)	(25,756)	(28,499)
INTEREST INCOME	7	9,271	5,491	8,381
OTHER INCOME (CHARGES) - Net	26	2,303	2,389	(174,596)
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAX		2,256,392	(52,684)	(217,327)
INCOME TAX EXPENSE (BENEFIT)	27			
Current		7,539	1,285	8,490
Deferred		1,436	(240)	(1,253)
		8,975	1,045	7,237
NET INCOME (LOSS) FROM CONTINUING OPERATIONS		2,247,417	(53,729)	(224,564)
NET INCOME FROM DISCONTINUED OPERATIONS	6	41,816	485,482	699,495
NET INCOME		P2,289,233	P431,753	P474,931

(Forward)

CONSOLIDATED STATEMENTS OF INCOME

SEPTEMBER 30, 2014 and 2013 (With Comparative Figures for 2012)
(Amounts in Thousands, Except Basic/Diluted Earnings (Loss) per Share Data)

	Note	2014	2013 (As Restated - Note 3)	2012 (As Restated - Note 3)
Net Income Attributable to:				
Equity holders of the Parent Company		P2,274,885	P265,283	P234,693
Noncontrolling interests		14,348	166,470	240,238
		P2,289,233	P431,753	P474,931
BASIC/DILUTED EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	28	P1.18	P0.09	P0.08
Continuing Operations		1.16	(0.08)	(0.16)
Discontinued Operations		0.02	0.17	0.24

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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		P2,289,233	P431,753	P474,931
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss				
Remeasurement gain (loss) on retirement liability, net of tax	18	1,046	(321)	(6,662)
Share in remeasurement gain on retirement liability of associate	12	917	-	-
Item that will be reclassified to profit or loss when realized				
Share in unrealized loss on available-for-sale financial assets of an associate	12	(50)	–	–
OTHER COMPREHENSIVE INCOME (LOSS) FROM CONTINUING OPERATIONS		1,913	(321)	(6,662)
OTHER COMPREHENSIVE INCOME (LOSS) FROM DISCONTINUED OPERATIONS	6	458	(184,547)	148,358
TOTAL COMPREHENSIVE INCOME		P2,291,604	P246,885	P616,627
Total Comprehensive Income Attributable to:				
Equity holders of the Parent Company		P2,277,099	P143,714	P380,770
Noncontrolling interests		14,505	103,171	235,857
		P2,291,604	P246,885	P616,627

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

		Equity Attributable to the Equity Holders of the Parent Company													
					Other Equity Reserves										
	Note	Capital Stock (Note 19)	Additional Paid-in Capital (Note 19)	Treasury Stock (Note 19)	Revaluation Increment on Land (Note 19)	Cumulative Remeasurement Gain (Loss) on Retirement Liability (Note 18)	Share in Fair Value Reserve of an Associate (Note 12)	Share in Revaluation Increment on Land of an Associate (Note 12)	Effect of Change in Equity Interest in Subsidiaries	Cumulative Remeasurement Gain on Retirement Liability of Associates	Retained Earnings Unappropriated	Retained Earnings Appropriated	Total	Noncontrolling Interests	Total Equity
Balances as at October 1, 2013:															
As previously reported		P2,911,886	P1,611,393	P–	P1,496,206	P–	P5,179	P136,322	(P81,066)	P–	P2,291,152	P–	P8,371,072	P1,910,187	P10,281,259
Prior period adjustments	3	–	–	–	–	(230,295)	–	–	–	–	37,038	–	(193,257)	(47,708)	(240,965)
As restated		2,911,886	1,611,393	–	1,496,206	(230,295)	5,179	136,322	(81,066)	–	2,328,190	–	8,177,815	1,862,479	10,040,294
Net income		–	–	–	–	–	–	–	–	–	2,274,885	–	2,274,885	14,348	2,289,233
Acquisition of treasury stock	19	–	–	(1,683,654)	–	–	–	–	–	–	(1,683,654)	1,683,654	(1,683,654)	–	(1,683,654)
Effect of deconsolidation	6	–	–	–	(1,216,115)	232,075	–	(136,322)	81,066	–	(754,939)	–	(1,794,235)	(1,863,435)	(3,657,670)
Cash dividends	19	–	–	–	–	–	–	–	–	–	(38,430)	–	(38,430)	(19,180)	(57,610)
Remeasurement gain on retirement liability	18	–	–	–	–	1,347	–	–	–	–	–	–	1,347	157	1,504
Share in remeasurement gain on retirement liability of an associate	12	–	–	–	–	–	–	–	–	916	–	–	916	–	916
Share in unrealized loss on available-for-sale financial assets of an associate	12	–	–	–	–	–	(50)	–	–	–	–	–	(50)	–	(50)
Balances as at September 30, 2014		P2,911,886	P1,611,393	(P1,683,654)	P280,091	P3,127	P5,129	P–	P–	P916	P2,126,052	P1,683,654	P6,938,594	(P5,631)	P6,932,963
Balances as at October 1, 2012:															
As previously reported		P2,911,886	P1,611,393	P–	P1,496,206	P–	P5,179	P136,322	(P81,066)	P–	P2,032,835	P–	P8,112,755	P1,777,878	P9,890,633
Prior period adjustments	3	–	–	–	–	(108,727)	–	–	–	–	30,072	–	(78,655)	10,632	(68,023)
As restated		2,911,886	1,611,393	–	1,496,206	(108,727)	5,179	136,322	(81,066)	–	2,062,907	–	8,034,100	1,788,510	9,822,610
Net income		–	–	–	–	–	–	–	–	–	265,283	–	265,283	166,470	431,753
Remeasurement loss on retirement liability		–	–	–	–	(121,568)	–	–	–	–	–	–	(121,568)	(63,299)	(184,867)
Cash dividends of a subsidiary	19	–	–	–	–	–	–	–	–	–	–	–	–	(31,194)	(31,194)
Employee stock option	21	–	–	–	–	–	–	–	–	–	–	–	–	1,992	1,992
Balances as at September 30, 2013		P2,911,886	P1,611,393	P–	P1,496,206	(P230,295)	P5,179	P136,322	(P81,066)	P–	P2,328,190	P–	P8,177,815	P1,862,479	P10,040,294
Balances as at October 1, 2011:															
As previously reported		P2,911,886	P1,611,393	P–	P1,335,075	P–	P5,179	P136,322	(P81,066)	P–	P1,820,012	P–	P7,738,801	P1,567,087	P9,305,888
Prior period adjustments	3	–	–	–	–	(93,673)	–	–	–	–	8,202	–	(85,471)	4,283	(81,188)
As restated		2,911,886	1,611,393	–	1,335,075	(93,673)	5,179	136,322	(81,066)	–	1,828,214	–	7,653,330	1,571,370	9,224,700
Net income		–	–	–	–	–	–	–	–	–	234,693	–	234,693	240,238	474,931
Appraisal increase on revaluation increment on land	12	–	–	–	161,131	–	–	–	–	–	–	–	161,131	–	161,131
Cash dividends of a subsidiary		–	–	–	–	–	–	–	–	–	–	–	–	(18,717)	(18,717)
Remeasurement loss on retirement liability	18	–	–	–	–	(15,054)	–	–	–	–	–	–	(15,054)	(4,381)	(19,435)
Balances as at September 30, 2012			P1,611,393	P–	P1,496,206	(P108,727)	P5,179	P136,322	(P81,066)	P–	P2,062,907	P–	P8,034,100	P1,788,510	P9,822,610

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

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 (loss) before income tax:				
Continuing operations		P2,256,392	(P52,687)	(P217,327)
Discontinued operations	6	54,027	735,697	552,203
Income before income tax		2,310,419	683,010	334,876
Adjustments for:				
Gain on disposal of a subsidiary	6	(2,036,038)	–	–
Equity in net earnings of associates	12	(196,953)	(68,027)	(47,188)
Depreciation and amortization	13	114,164	684,740	692,382
Interest expense	16	79,236	416,418	502,745
Unrealized fair value losses (gains) on investment properties	14	(16,050)	231	(4,976)
Retirement benefits	18	10,910	41,231	132,378
Interest income	7	(9,315)	(7,878)	(14,649)
Provision for impairment loss on real estate for sale and development	9	2,323	–	–
Provision for lease-back guarantee	29	1,085	–	–
Loss on real estate for sale and development	9	715	–	–
Provision for impairment loss on available-for-sale financial assets	11	688	–	–
Income from performance bank guarantee		–	(62,834)	–
Loss on property and equipment due to fire	26	–	22,305	–
Provision for inventory losses and obsolescence	10	–	13,544	59,727
Provision for impairment losses on receivables	8	–	6,236	99,444
Employee stock option	21	–	1,991	–
Loss on disposal of property and equipment and investment properties	26	–	–	190,324
Recovery from insurance claims	26	–	–	(20,676)
Operating income before working capital changes		261,184	1,730,967	1,924,387
Decrease (increase) in:				
Trade and other receivables		(290,955)	(502,780)	(354,490)
Real estate for sale and development		(54,891)	(47,410)	(12,052)

(Forward)

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

Inventories		310,874	(785,102)	800,014
Other current assets		(266,784)	(59,358)	(28,670)
Increase in trade and other payables		880,521	14,106	36,022
Net cash generated from operations		839,949	350,423	2,365,211
Income taxes paid, including creditable withholding and final taxes		(24,196)	(75,212)	(114,751)
Interest received		8,625	7,878	13,086
Retirement contributions paid	18	(1,074)	(124,403)	(92,966)
Net cash provided by operating activities		823,304	158,686	2,170,580
CASH FLOW FROM INVESTING ACTIVITIES				
Proceeds from:				
Disposal of a subsidiary	6	2,220,388	–	–
Disposal of property and equipment and investment properties		–	164	5,523
Recovery from insurance claims				20,676
Cash and cash equivalents of the disposed subsidiary as at the date disposal	6	(170,472)	–	–
Additions to:				
Investments in associates and a joint venture	12	(155,000)	–	(50)
Property, plant and equipment	13	(42,443)	(217,749)	(129,450)
Dividends received	12	38,201	22,958	165,587
Decrease (increase) in other noncurrent assets		2,261	20,456	(4,280)
Net cash provided by (used in) investing activities		1,892,935	(174,171)	58,006
CASH FLOWS FROM FINANCING ACTIVITIES				
Acquisition of treasury stock		(1,683,654)	–	–
Net payments of short-term borrowings		(712,323)	(173,973)	(1,206,845)
Payments of:				
Long-term borrowings		(271,112)	(182,368)	(1,170,597)
Interest		(70,409)	(418,571)	(553,769)
Dividends		(37,576)	(140,451)	(4)
Proceeds from long-term borrowings		–	930,001	542,920
Net cash provided by (used in) financing activities		(2,775,074)	14,638	(2,388,295)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(58,835)	(847)	(159,709)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		198,626	199,473	359,182
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7	P139,791	P198,626	P199,473

See accompanying Notes to Consolidated Financial Statements.

1. **Corporate Information**

Roxas and Company, Inc. (the Parent Company), then CADP Group Corporation (CADPGC), was organized in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on October 7, 1918, primarily to acquire, own, develop, sell and hold investment in real estate and sugar business. The corporate life of the Parent Company was extended for another 50 years from October 7, 1968.

On November 29, 1948, the shares of stock of the Parent Company were listed in the Philippine Stock Exchange (PSE).

The Parent Company is owned by various individual shareholders and domestic corporations, namely: Pesan Holdings, Inc. and SPCI Holdings, Inc. As at September 30, 2014 and 2013, the Company has 3,402 and 3,459 equity holders, respectively.

The subsidiaries of the Parent Company are as follows (see Note 4):

		Percentage of Ownership	
	Line of Business	September 30, 2014	September 30, 2013
Roxaco Land Corporation (RLC)	Real estate	100.00	100.00
United Ventures Corporation (UVC)	Warehouse leasing	100.00	100.00
Nasugbu Feeds Corporation (NAFECOR)	Manufacturing	100.00	100.00
Roxas Holdings, Inc. and Subsidiaries (RHI)	Sugar	–	65.70

All the subsidiaries are incorporated and domiciled in the Philippines. The Parent Company and Subsidiaries are collectively referred to as the Group.

On November 29, 2013, the Parent Company sold its 31% equity ownership in RHI to First Pacific Company, Ltd. (First Pacific), a Hong Kong-based company. The Parent Company remains the major shareholder at 35% of RHI while First Pacific has 34% equity ownership as it acquired additional shares of stock of the RHI from other stockholders (see Note 6).

The Group undertook various Reorganization/Restructuring Programs as approved by the SEC (see Note 19). As a result of the programs:

- RHI acquired on December 16, 2008 all the sugar-related operating subsidiaries of CADPGC (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).

- RHI sold on June 23, 2009 its investment in CADPGC to Roxas & Company, Inc. (RCI), an entity incorporated on December 16, 1981 and as domiciled in the Philippines.

- CADPGC, as the surviving entity, merged with RCI in June 29, 2009 through a share swap of 11.71 CADPGC shares for every share of RCI pursuant to an approval by the SEC on June 23, 2009. On the same date, the SEC approved the change in corporate name of CADPGC to Roxas and Company, Inc (the Parent Company).

The corporate office of the Parent Company is located at 7th Floor, Cacho-Gonzales Building, 101 Aguirre Street, Legaspi Village, Makati City.

Approval of the Consolidated Financial Statements

The accompanying consolidated financial statements of the Group as at and for the years ended September 30, 2014 and 2013 (with comparative figures for 2012) have been approved and authorized for issue by the BOD on January 13, 2015, as reviewed and recommended for approval by the Audit and Risk Committee on January 12, 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, which are stated at fair value. The consolidated financial statements are presented in Philippine Peso, which is the functional and presentation 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 19, *Employee Benefits* (Amendment) - There were numerous changes ranging from the fundamental 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.

- 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 will have to exercise significant judgment to determine which entities are controlled, and are required to be consolidated by a parent company.

- PFRS 12, *Disclosure of Interests with Other Entities* - The standard includes all of the disclosures that were previously in PAS 27, 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, *Investment in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.

- Amendments to PFRS 10, PFRS 11 and PFRS 12*: Transition Guidance* - The amendments provide additional transition relief in PFRS 10, PFRS 11, *Joint Arrangements,* 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 will remove the requirement to present comparative information for periods before PFRS 12 is first applied.

- 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 foregoing new and revised PFRS, except for the amended PAS 19, have no significant impact on the amounts and disclosures in the financial statements of the Group.

The following is the summary of the financial impact of the adoption of amended PAS 19:

	September 30, 2013		
	As Previously Reported	**Prior Period Adjustments**	**As Restated**
Retirement liability	**₱14,742**	**₱217,090**	**₱231,832**
Net deferred tax liabilities	**798,491**	**(100,781)**	**697,710**
Cumulative remeasurement loss on retirement liability, beginning	**–**	**(108,727)**	**(108,727)**
Remeasurement loss on retirement liability, net of deferred tax	**–**	**(121,568)**	**(121,568)**
Retained earnings, beginning	**2,032,835**	**30,072**	**2,062,907**
Noncontrolling interests	**1,910,187**	**(47,708)**	**1,862,479**
Net income	**419,827**	**11,926**	**431,753**

	October 1, 2012		
	As Previously Reported	Prior Period Adjustments	As Restated
Retirement assets	₱132,007	(₱49,139)	₱82,868
Net deferred tax assets	151,388	2,440	153,828
Retirement liability	86,787	48,037	134,824
Net deferred tax liabilities	794,825	(26,713)	768,112
Cumulative remeasurement loss on retirement liability, beginning	–	(93,673)	(93,673)
Retained earnings, beginning	1,820,012	8,202	1,828,214
Noncontrolling interests	1,777,878	10,632	1,788,510
Net income	442,333	32,598	474,931
Remeasurement loss on retirement liability, net of deferred tax	–	(15,054)	(15,054)

New and Revised PFRS not yet Adopted

Relevant new and revised PFRS, which are not yet effective for the year ended September 30, 2013 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 to 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 Instruments: Presentation*. The amendments clarify (a) the meaning of "currently has a legally enforceable right of set-off"; and (2) that some gross settlement systems may be considered equivalent to net settlement.

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.

Effectivity date to be determined –

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate,* covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts,* or involves rendering of services in which case revenue is recognized based on stage of completion.

  The Group is in the process of quantifying the impact of the adoption of IFRIC 15 on the Group's financial position and performance.

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.

The following is the list of the subsidiaries:

	Percentage of Ownership			
	2014	2013	Line of Business	Year End
RLC	100.00	100.00	Real estate	September 30
UVC	100.00	100.00	Warehouse leasing	December 31
NAFECOR*	100.00	100.00	Manufacturing	December 31
RHI and Subsidiaries**	–	65.70	Sugar	September 30

* *On April 10, 2008, its BOD approved the cessation of operations, closure of business and dissolution of NAFECOR.*

** *The Parent Company sold 31% equity ownership in RHI to First Pacific (see Note 1). The remaining 35% interest of the Parent Company in RHI is now accounted for as an investment in associate (see Note 12).*

The following are the subsidiaries of RLC:

	Percentage of Ownership		
	2014	2013	Line of Business
Roxaco Commercial Properties Corporation (RCPC)*	100.00	100.00	Real estate
SAMG Memorial and Management Services, Inc. (SMMSI)	100.00	100.00	Funeral and related services
Fuego Hotels and Properties Management Corporation (FHPMC)	75.33	63.00	Hotel and resort management

* *RCPC has not yet started commercial operations.*

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 UVC and NAFECOR, 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 period are included in the consolidated statement of income 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 FHMPC in 2014 and FHPMC and RHI in 2013, not held by the Group, directly or indirectly, and are presented separately in the consolidated statement of income and within the equity section of the consolidated statement of financial position and consolidated statement of changes in equity, separately from Parent Company's equity. Total comprehensive income (loss) is attributed to the portion held by the Group and noncontrolling interests even if this results in the noncontrolling interests having a deficit balance.

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 purchase 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.

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. *G*oodwill 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 investments in associates is included in the carrying amount of the related investments.

Discontinued Operations. A discontinued operation is a component of the Company's business that represents a separate major line of business or geographical area of operations that had been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative consolidated statement of income and consolidated statement of comprehensive income are presented as if the operation had been discontinued from the start of the comparative year. In the consolidated statement of income of the reporting year, and of the comparable previous year, income and expenses from discontinued operations are reported separately from income and expenses of continuing operations down to the level of net income, even when the Company retains a non-controlling interest in the subsidiary after the sale. The resulting net profit or loss is reported separately in the consolidated statement of income.

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 and HTM investments 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 shall be recognized as part of "Interest income" in profit or loss using effective interest method. 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" 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 cash in banks, cash equivalents, receivables and restricted cash included in "Other current assets" account (see Notes 7, 8, 11 and 20).

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 30 days are recognized and carried at original invoice amount less any allowance for impairment.

AFS Financial Assets. AFS financial assets are nonderivative financial assets that are either designated in this category or not classified in any of the other categories. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. These include equity investments, money market papers and other debt instruments. The unrealized gains and losses arising from the fair valuation of AFS financial assets, except for the foreign exchange fluctuations on AFS debt securities and the related effective interest, are excluded, from reported earnings, and are reported in the consolidated statement of comprehensive income and in the equity section of the consolidated statement of financial position. These changes in fair values are recognized in equity until the investment is sold, collected, or otherwise disposed of or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity are included in profit or loss.

Where the Group holds more than one investment in the same security, these are deemed to be disposed of on a first-in, first-out basis. Interest earned or paid on the investments is recognized as interest income or expense using the effective interest rate method. Dividends earned on investments are recognized in profit or loss when the right of payment has been established. These financial assets are classified as noncurrent assets unless the intention is to dispose such assets within 12 months from the end of reporting year.

AFS financial assets consisting of unlisted shares of stock, which are unquoted and have no reliable sources of market value, are stated at cost, net of any impairment losses.

Classified as AFS financial assets are the unquoted equity investments as at September 30, 2014 and 2013 (see Note 11).

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) 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), dividends payable and short-term and long-term borrowings as at September 30, 2014 and 2013 (see Notes 15, 16, 17, 19 and 20).

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.

a. Financial assets carried at amortized cost

   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 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 period. 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.

b. Financial assets carried at cost

If there is an objective evidence that an impairment loss of an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

c. AFS financial assets

For equity investments classified as AFS financial assets, impairment would include a significant or prolonged decline in the fair value of the investments below their cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from equity and recognized in profit or loss. Impairment losses on equity investments are not reversed through income. Increases in fair value after impairment are recognized directly in the other comprehensive income and presented in the consolidated statement of changes in equity.

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 benefits of the asset, or (b) has neither transferred nor retained substantially all the risks and benefits 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 benefits 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, cancelled or has expired.

Where 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.

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. This is not generally the case with master netting agreements, and the related financial assets and liabilities are presented gross in the consolidated statement of financial position.

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 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 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 above.

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 13, Property, Plant and Equipment
- Note 14, Investment Properties
- Note 30, Financial Instruments

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 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 of completion 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.

Real Estate for Sale and Development

Real estate for sale and development consists of developed real estate properties for sale, raw land and land improvements.

Developed real estate properties for sale, raw land and land improvements are carried at the lower of aggregate cost and NRV, and include those costs incurred for the development and improvement of the properties and certain related capitalized borrowing costs. NRV is the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale.

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 year the revenue is 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.

Investment in a Joint Operation

Joint operation is when a joint arrangement is not structured through a separate vehicle. The Group recognizes its interest based on its involvement in the joint operation. The sharing of profits is in proportion to the parties' capital contributions.

Investments in Associates

Investments in associates are recognized initially at cost and 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 Group's 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 Group's 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 on behalf of the associates. Unrealized gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The financial statements of the associates 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.

The Group determines at the end of each reporting year whether there is any evidence that the investment is impaired. If this is the case, the amount of impairment is calculated as the difference between the carrying amount of the investment and recoverable amount.

Investment in a Joint Venture

RLC has interest in a joint venture, whereby the venturers have a contractual arrangement that establishes joint control.

Interest in a joint venture is initially recognized at cost and subsequently accounted for under the equity method of accounting. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venture has an interest.

Under the equity method of accounting, the interest in a joint venture is carried at cost plus post-acquisition changes in the Group's share in the net assets of the joint venture, less any impairment in value. The share in the results of the operations of the joint venture is recognized in profit or loss. The Group's share of post-acquisition movements in the joint venture's equity reserves is recognized directly in equity. Profits or losses resulting from the transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture and for unrealized losses to the extent that there is no evidence of impairment of the asset transferred. Dividends received are treated as a reduction of the carrying value of the interest.

After the application of the equity method, the Group determines at the end of each reporting year whether there is any objective evidence that the interest is impaired. If this is the case, the amount of impairment is calculated as the difference between the carrying amount of the interest and recoverable amount and recognizes the difference in profit or loss.

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. Land is measured initially at cost and subsequently 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.

The net appraisal increment resulting from the revaluation of land is presented under "Revaluation increment on Land," net of related deferred tax, in the consolidated statement of financial position and consolidated statement of changes in equity. The Group'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 land are recognized in the consolidated statement of comprehensive income and credited to revaluation increment in the consolidated statement of changes in equity, net of related deferred tax. Any resulting decrease is directly charged against the related revaluation increment on land 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 unrestricted retained earnings.

The Group used the carrying amount of CADPI's depreciable assets as at July 1, 2004, which is the revalued amount, less accumulated depreciation from the Group's perspective, as the deemed costs at that date when the Group adopted PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards*. An annual transfer from the asset revaluation reserve to retained earnings is made until 2010 for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets' original cost. The asset revaluation reserve was fully transferred to retained earnings as at June 30, 2010.

Construction in progress, which represents properties 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 property, plant and equipment account.

Depreciation and amortization on depreciable property, plant and equipment are calculated using the straight-line method to allocate their cost over their estimated useful lives as follows:

Asset Category	Number of Years
Buildings and improvements	5 to 40
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 10

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 renovations that qualified for capitalization are depreciated and amortized over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner.

The assets' 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.

The asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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, amortization 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.

<u>Investment Properties</u>
Investment properties comprise land for future development and completed property that are held either to earn rentals or for capital appreciation or both and that are not occupied by the entities in the Group.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value. Gains or losses arising from changes in fair value of investment property 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.

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

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 amortization period and the amortization method for the software cost are reviewed at each reporting year.

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 investments in associates and a joint venture, 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. 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 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 of loss under the expense category consistent with the function of the impaired asset. Impairment loss recognized during interim period in respect to goodwill or an investment, either an equity instrument or a financial asset carried at cost, 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 charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Equity

Capital Stock. 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.

Additional Paid-in Capital. Additional paid-in capital includes any premium received in the initial issuances of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of tax.

Treasury Stock. Where any entity of the Group purchases the Parent Company's capital (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 income tax effect, is included in equity attributable to the Parent Company's equity holders.

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. Restricted retained earnings represent that portion, which has been restricted and are not available for any dividend declaration. Unrestricted retained earnings represent that portion, which can be declared as dividends to stockholders.

Dividend Distribution. Dividend distribution to the Parent Company's stockholders is recognized as a liability and deducted from equity in the period in which the dividends are approved by the Parent Company's BOD. Dividends that are approved after the reporting year are dealt with as 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 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 Real Estate. The Company assesses whether it is probable that the economic benefits will flow to the Company when the sales prices are collectible. Collectability of the sales price is demonstrated by the buyer's commitment to pay, which is supported by the buyer's initial and continuing investments gives the buyer a stake in the property sufficient that the risk of loss through default that motivates the buyer to honor its obligation to the Company. Collectability is also assessed by considering factors such as collections, credit standing of the buyer, age and location of the property.

Revenue from sales of completed real estate projects is accounted for using the full accrual method. In accordance with Philippine Interpretations Committee Q&A No. 2006-01, the percentage of completion method is used to recognize income from sales of projects where the Company has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliably. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Any excess of collections over the recognized receivables are included in the “Customers’ deposits” account in the liabilities section of the consolidated statement of financial position.

If any of the criteria under the full accrual or percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented under the “Customers’ deposits” account in the in the liabilities section of the consolidated statement of financial position.

For income tax purposes, full recognition of revenue from real estate sales is applied when more than 25% of the sales price has been collected in the year of sale. Otherwise, the installment method is applied.

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.

Rent income. Rent income from operating lease is recognized using the straight-line method over the term of the lease.

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

Other Income. Other income is recognized when services are rendered and when goods are received.

<u>Costs and Expenses Recognition</u>
Cost and expenses are recognized in profit or loss upon receipts of goods, utilization of services, or as the date the cost and expenses are incurred.

Cost of Real Estate Sales. Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works, as determined by the Group's in-house technical staff.

Contract costs include all direct materials, labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions, estimated probability, including those arising from contract penalty provisions, and final contract settlements, which may result in revisions to estimated costs and gross profit, are recognized in the year in which the changes are determined.

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 and rental and utilities and general office expenses. These costs are expensed when incurred.

Employee Benefits

Short-Term Employee Benefits. The Group recognizes a liability net of amounts already paid and an expense for services rendered by employees during the year. Short-term employee benefits given by the Group to its employees include salaries and wages, social security contributions, short-term compensated absences, profit sharing and bonuses and non-monetary benefits.

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

Retirement Benefits. The Parent Company and RLC have individual and separate defined benefit plan. 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 plan is generally funded through payments to trustee-administered funds as determined by periodic actuarial calculations.

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 nonroutine settlements; and net interest expense or income in profit or loss. Net interest is calculated by applying the discount rate to the net 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 defined benefit asset or liability is the aggregate of the present value of the defined benefit obligation and the fair value of plan assets on which the obligations are to be settled directly. The present value of the defined benefit obligation 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 normal 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 period are discounted to present value.

Employee Stock Option

Under the Employee Stock Option Plans (ESOP) of RHI, all regular employees (including directors) of RHI, CADPI, CACI and RBC 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 is determined using an option-pricing model, further details of which are presented in Note 21 - *Employee Stock Option Plan of RHI*. 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.

Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production 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 they 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 periods 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 is 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.

Debt arrangement fees relating to the drawn loan amount are amortized using the effective interest rate method and are presented as reduction in the principal loan balance. Debt arrangement fees relating to the undrawn loans are recorded as deferred charges and are amortized using the straight-line method. Amortization of debt arrangement fees is recognized as interest expense.

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 shall commence or cease 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 benefits 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.

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 the reporting year. Foreign exchange differences are credited or charged directly to 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 period.

Deferred Tax. Deferred tax is provided on all temporary differences at the end of the 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 income 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 income tax assets against the deferred income tax liabilities and the deferred income 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.

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 statement of financial position.

Related Parties 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.

Earnings (Loss) per Share attributable to the Equity Holders of the Parent Company

Basic earnings (loss) per share is calculated by dividing the net income (loss) 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 (loss) per share is computed by adjusting the weighted average number of common shares outstanding to assume conversion of all the dilutive potential common shares into common shares.

The Parent Company has no dilutive potential common shares.

Segment Reporting

Operating segments are components of the Group: (a) that engage in business activities from which they may earn revenue and incur expenses (including revenues 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.

For purposes of management reporting, the Group's operating businesses are organized and managed separately based on the nature of the business segment, with each business representing a strategic business segment. As a result of the deconsolidation of RHI (see Note 1), reportable operating segments primarily consist of the real estate business and other segments, which are not reported separately (see Note 31).

Provisions

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

Contingencies
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. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

Events after the Reporting Year
Post year-end events that provide additional information about the Group's financial position at the end of the 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 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 has 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 the 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 based on the nature of the business segment, with each business representing a strategic business segment. As a result of the deconsolidation of RHI (see Note 1), reportable operating segments primarily consist of the real estate business and other segments, which are not reported separately (see Note 31).

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 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.

The Group, as a lessor, has existing property leases where it has determined that it retains all the significant risks and benefits of ownership of those properties. Accordingly, the lease agreements are accounted for as operating leases.

Rent income amounted to ₱1.6 million and ₱7.4 million in 2014 and 2013, respectively (₱7.1 million in 2012) (see Note 26).

The Group, as a lessee, has various property leases where it has determined that the significant risks and benefits related to those properties are retained with the lessors. Accordingly, the lease agreements are accounted for as operating leases.

Rent expense amounted to ₱16.2 million and ₱83.2 million in 2014 and 2013, respectively (₱73.7 million in 2012) (see Notes 23 and 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 for the land of RHI and of the Parent Company, which are held for rental and/or capital appreciation, as investment properties. As at September 30, 2014 and 2013, the carrying value of investment properties amounted to ₱4,448.5 million and ₱4,624.3 million, respectively (see Note 14).

Revenue Recognition. Management exercises judgment in determining whether income from sale of real estate properties is recognized in full. Management believes that revenue should be recognized in full when the collectability of the sales price is reasonably assured and when the risk and benefits over the assets have been transferred, which is usually when the Group collects at least 25% or more of the total contract price. During the fiscal year ended September 30, 2014, the Group reviewed the collectability of the sales price based on historical trends. Management, then, assessed that collectability of the sales price is reasonably assured when the Group collects at least 10% or more of the total contract price. The change in accounting estimate was accounted prospectively and resulted to an increase in net income amounting to ₱25.6 million.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting year 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 of Receivables. Allowance for impairment losses on trade and other receivables and due from related parties is maintained at a level considered adequate to provide for potentially uncollectible receivables. The level of allowance is based on past collection experience and other factors that may affect collectability. An evaluation of the receivables, designed to identify potential charges to the allowance, is performed on a continuous basis throughout the year. The allowance is established by charging against income in the form of provision for impairment losses on trade and other receivables. These specific reserves are re-evaluated and adjusted as additional information received affects the amount estimated. The amount and timing of recorded expenses for any year would therefore differ based on the judgments or estimates made.

In addition to specific allowance against individually significant receivables, the Group also makes a collective impairment allowance assessment against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. Collective assessment of impairment is made on a portfolio or group basis after performing a regular review of age and status of the portfolio or group of accounts relative to historical collections, changes in payment terms, and other factors that may affect ability to collect payments.

As at September 30, 2014 and 2013, the carrying amount of the trade and other receivables (including noncurrent portion of installment contract receivables and receivable from LBP) amounted to ₱196.5 million and ₱1,472.8 million, respectively (see Note 8). Allowance for impairment losses of receivables amounted to ₱13.4 million and ₱95.5 million as at September 30, 2014 and 2013, respectively (see Note 8).

Determination of NRV of Inventories and Real Estate for Sale and Development. The Group's estimates of the NRV of inventories and real estate for sale and development are based on the most reliable evidence available at the time the estimates are made and the amount that the inventories and real estate for sale and development 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 at the end of the reporting period. A new assessment is made of NRV in each subsequent period. When the circumstances that previously caused inventories and real estate for sale and development 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.

The real estate for sale and development that are carried at cost amounted to ₱441.0 million and ₱387.9 million as at September 30, 2014 and 2013, respectively (see Note 9). Allowance for impairment loss amounted to ₱2.3 million as at September 30, 2014 (see Note 9).

Inventories and related allowance for inventory losses and obsolescence were derecognized as a result of deconsolidation of RHI in 2014 (see Note 6). As at September 30, 2013, the inventories carried at lower of cost or NRV amounted to ₱1,550.9 million (see Note 10). Allowance for inventory losses and obsolescence amounted to ₱18.0 million as at September 30, 2013 (see Note 10).

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, they are allocated among the products on a rational and consistent basis. The allocation is based on relative sales value of cane product 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.

No allocated cost to molasses inventory as at September 30, 2014 was recognized as a result of deconsolidation of RHI in 2014 (see Note 6). As at September 30, 2013, portion of molasses inventory amounting to ₱20.2 million, pertains to allocated cost from the total production costs of milled raw and refined sugar (see Note 10).

Determination 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 therefore differ based on the judgments or estimates made.

Creditable withholding taxes and related allowance for impairment loss were derecognized as a result of deconsolidation of RHI in 2014 (see Note 6). As at September 30, 2014 and 2013, the creditable withholding taxes amounted to ₱49.8 million and ₱254.6 million (see Note 11). Allowance for impairment losses on creditable withholding taxes amounted to ₱13.6 million as at September 30, 2013 (see Note 11).

Valuation of Land under Revaluation Basis. The land is carried at revalued amount, which approximates its fair value at the date of the revaluation, less any accumulated impairment losses. The valuation of the land is performed by professionally qualified independent appraisers. The fair value was arrived at using the Market Data Approach for land using 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 the reporting year.

Land carried at revalued amounts as at September 30, 2013 amounted to ₱2,758.3 million (see Note 13). The land at revalued amount was derecognized as a result of deconsolidation of RHI in 2014 (see Note 6).

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 Group’s items of property, plant and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of 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 above. A change in the estimated useful life of any item of property, plant and equipment would impact the recorded operating expense and noncurrent assets.

There was no change in the estimated useful lives of property, plant and equipment in 2014 and 2013.

The carrying value of the depreciable property, plant and equipment as at September 30, 2014 and 2013 amounted to ₱4.4 million and ₱7,896.6 million, respectively (see Note 13).

Determination of Fair Value of the Investment Properties. The fair value of the investment properties was determined by professionally qualified independent appraisers using generally acceptable valuation techniques and methods and estimates based on local market conditions existing at the end of the reporting period. The fair value was based on market value. In arriving at the market value, it is assumed that any transaction is based on cash or its equivalent consideration.

Investment properties, including land properties that are subjected to the Comprehensive Agrarian Reform Law (CARL) with total land area of 2,300.6 hectares and total value of ₱4,046.0 million and ₱4,021.5 million as at September 30, 2014 and 2013, respectively, are stated at fair value amounting to ₱4,448.5 million and ₱4,624.3 million as at September 30, 2014 and 2013, respectively (see Note 14).

The Parent Company filed a Petition for Certiorari with the Court of Appeals (CA) regarding the denial by the Department of Agrarian Reform (DAR) of its protest against the wrongful coverage of its land properties. As at the date of report, the protest is still pending before the CA (see Note 29).

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 less costs to sell, 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 parent company financial statements. Future events could indicate that these nonfinancial assets are 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 under PFRS.

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 revenues or other external indicators) are as follows:

	Note	**2014**	2013
Investments in associates and a joint venture	12	**₱2,167,405**	₱757,559
Property, plant and equipment	13	**4,444**	10,654,887

There were no impairment indicators for the foregoing nonfinancial assets in 2014 and 2013. Accordingly, the Group has not recognized any impairment loss.

Estimation of Retirement Benefits. The determination of the obligation and cost for retirement benefits is dependent on the selection of certain assumptions determined by management and used by the actuary in calculating such amounts. Those assumptions are described in Note 18 and include, among others, discount rates, expected rates of return on plan assets and rates of future salary increase. Actual results that differ from the Group's assumptions are accumulated and amortized over future years and therefore, generally affect the recognized expense and recorded obligation in such future years.

Retirement liability as at September 30, 2014 and 2013 amounted to ₱6.7 million and ₱231.8 million, respectively (see Note 18). Retirement benefits expense amounted to ₱10.9 million and ₱41.2 million in 2014 and 2013, respectively (₱132.4 million in 2012) (see Note 18).

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 (₱85.0 million in 2012) (see Note 24). The Group has outstanding provision for probable losses amounting to ₱48.4 million as at September 30, 2013 (see Notes 17 and 29).

The Group shall account for any legal and financial liabilities arising from the land properties subject to the CARL upon the resolution of ownership by the Court (see Note 29).

Assessment of Realizability of Deferred Tax Assets. The Group reviews the carrying amounts at the end of each reporting period 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 income tax assets to be utilized.

The Group recognized deferred tax assets on a portion of deductible temporary differences and carryforward benefits of NOLCO and MCIT amounting to ₱4.8 million and ₱38.1 million as at September 30, 2014 and 2013, respectively (see Note 27).

Deferred tax assets were not recognized on deductible temporary differences and carryforward benefits of NOLCO and MCIT with income tax effect amounting to ₱50.5 million and ₱151.8 million as at September 30, 2014 and 2013, respectively (see Note 27). 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. **Disposal of a Subsidiary**

As discussed in Note 1, on November 29, 2013, the Parent Company sold its 31% equity ownership in RHI to First Pacific for a total consideration of ₱2,220.4 million. The Parent Company remains the major shareholder at 35% of RHI while First Pacific has 34% equity ownership as it acquired additional shares of stock of RHI from other stockholders. The sale resulted to a gain amounting to ₱2,016.1 million. Subsequent to the sale, the remaining investment in RHI with fair value of ₱1,709.5 million is classified as investment in an associate (see Note 12).

Consequently, the Parent Company has lost its control over RHI with the dilution of its equity interest from 65% to 35%. The loss of control is considered as a deemed disposal of a subsidiary in accordance with the Amended PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*.

The related accounts of RHI as at November 29, 2013 (the date control is lost) have been excluded in the 2014 consolidated statement of financial position. The carrying amounts of the assets and liabilities of RHI as at November 29, 2013 are as follows:

	Note	Amount
Cash and cash equivalents		₱170,472
Trade and other receivables		1,426,161
Inventories		1,240,020
Other current assets	11	785,267
Investment in an associate	12	614,268
Property, plant and equipment	13	10,577,770
Investment properties	14	191,837
Net deferred tax assets		30,082
Other noncurrent assets		15,818
Borrowings		(7,098,848)
Trade and other payables		(1,514,006)
Retirement liabilities		(196,676)
Net deferred tax liabilities		(690,654)
Revaluation increment on land		(1,216,115)
Share in revaluation increment on land of an associate		(136,322)
Effect of change in equity interest in subsidiaries		81,066
Other comprehensive loss	18	232,075
Retained earnings		(754,939)
Noncontrolling interests		(1,863,431)
Net assets		1,893,845
Total consideration		(2,220,388)
Remaining investment		(1,709,495)
Gain on disposal	12	₱2,036,038

The 2014 consolidated statement of comprehensive income include the results of operations of RHI up to November 29, 2013.

The results of operations of RHI for the two-month period ended November 29, 2013 and years ended September 30, 2013 and 2012 included under "Net income from discontinued operations" account are summarized below:

	Note	**2014 (Two Months)**	2013 (One Year)	2012 (One Year)
Revenue	22	**₱1,194,430**	₱6,064,728	₱7,674,493
Cost of sales	23	**(954,041)**	(4,450,154)	(5,956,519)
Gross income		**240,389**	1,614,574	1,717,974
General and administrative expenses	24	**(128,708)**	(623,164)	(784,555)
Interest expense	16	**(63,623)**	(390,662)	(474,245)
Equity in net earnings of an associate	12	**–**	67,635	49,115
Selling expenses	24	**(5,687)**	(40,361)	(74,990)
Interest income	7	**44**	2,386	6,269
Other income - net	26	**11,612**	105,289	112,635
Income before income tax		**54,027**	735,697	552,203
Income tax expense (benefit)	27	**12,211**	250,215	(147,292)
Net income		**41,816**	485,482	699,495
Remeasurement gain (loss) on retirement liability, net of deferred tax		**458**	(184,547)	(12,773)
Revaluation increment on land		**–**	–	161,131
Total comprehensive income		**₱42,274**	₱300,935	₱847,853
Net income attributable to:				
Parent Company		**₱41,866**	₱485,032	₱698,799
Noncontrolling Interest		**(50)**	450	696
		₱41,816	₱485,482	₱699,495
Total comprehensive income attributable to:				
Parent Company		**₱42,324**	₱300,485	₱847,157
Noncontrolling Interest		**(50)**	450	696
		₱42,274	₱300,935	₱847,853

The net cash provided by (used in) discontinued operations for the two-month period ended November 29, 2013 and year ended September 30, 2013 are as follows:

	2014 (Two Months)	2013 (One Year)	2012 (One Year)
Net cash provided by (used in) operating activities	**(₱51,784)**	₱80,431	₱2,188,171
Net cash provided by (used in) investing activities	**217,295**	(95,498)	59,325
Net cash provided by (used in) financing activities	**(160,992)**	16,612	(2,401,844)
Net increase (decrease) in cash and cash equivalents	**4,519**	1,545	(154,348)
Cash and cash equivalents at beginning of year	**165,953**	164,408	318,756
Cash and cash equivalents at end of period	**₱170,472**	₱165,953	₱164,408

7. **Cash and Cash Equivalents**

This account consists of:

	2014	2013
Cash on hand	**₱256**	₱1,317
Cash in banks	**36,972**	161,624
Cash equivalents	**102,563**	35,685
	₱139,791	₱198,626

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are made at varying periods of up to 90 days, depending on the immediate cash requirements of the Group. Cash equivalents earn interest ranging from 0.4% to 1% in 2014 and 0.3% to 1.25% in 2013 (1.0% to 3.5% in 2012).

Interest income recognized in the consolidated statements of income follows:

	Note	**2014**	2013	2012
Continuing operations:				
Trade and other receivables	8	**₱4,759**	₱5,182	₱6,004
Due from related parties	20	**3,841**	–	–
Cash in banks and cash equivalents		**671**	309	2,377
		9,271	5,491	8,381
Discontinued operations:				
Cash in banks and cash equivalents		**₱44**	₱986	₱2,433
Trade and other receivables	8	**–**	1,400	3,836
		44	2,386	6,269
		₱9,315	₱7,877	₱14,650

8. **Trade and Other Receivables**

This account consists of:

	Note	**2014**	2013
Trade		**₱133,410**	₱1,347,239
Due from:			
Related parties	20	**61,246**	83,610
Dividends	20	**4,624**	19,484
Employees		**1,225**	35,853
Planters and cane haulers		**–**	45,955
Advances for raw sugar purchases		**–**	18,222
Receivable from Land Bank of the Philippines (LBP)		**–**	6,228
Others		**9,427**	11,695
		209,932	1,568,286
Allowance for impairment losses		**(13,403)**	(95,510)
		₱196,529	₱1,472,776

Breakdown as to current and noncurrent portion follows:

	2014	2013
Current	**₱194,142**	₱1,455,687
Noncurrent	**2,387**	17,089
	₱196,529	₱1,472,776

Trade receivables as at September 30, 2014 include customers' accounts arising from the sale of real estate properties and residential properties collectible in monthly installments over a period of 18 to 84 months and bear annual interest ranging from 8% to 20% depending on the terms of the sales contract. Trade receivables as at September 30, 2013 include receivables from real estate business as well as receivables from sugar business of RHI and its subsidiaries.

Cash received from the sale of real estate properties and residential properties, which did not meet the revenue recognition criteria as set out in Note 4 are recognized as "Customers' deposits", which is presented as under "Trade and other payables" account in the consolidated statements of financial position. Interest income amounted to ₱4.8 million and ₱5.2 million in 2014 and 2013, respectively (₱6.0 million in 2012) (see Note 7).

The aggregate future installment receivables under the sales contracts for real estate business are as follows:

	2014	2013
Current	**₱128,064**	₱59,510
Noncurrent	**2,387**	11,897
	₱130,451	₱71,407

Due from planters and cane haulers pertains to cash advances, which are settled in the form of raw sugar from the planters and services rendered by the cane haulers (see Note 29). Interest income earned on due from planters and cane haulers amounted to ₱1.0 million in 2013 (₱2.5 million in 2012) (see Note 7).

Due from employees pertains to the salary, housing and educational loans that are collected from the employees through salary deduction, and advances for business purposes subject to liquidation. The loans to employees are noninterest-bearing, except for certain housing loans extended in 2008, which bear interest of 8.0% and are payable in 10 years. Interest income earned amounted to ₱0.3 million in 2013 (₱1.3 million in 2012) (see Note 7).

Receivable from LBP amounting to ₱6.2 million represents the unquoted debt security issued by LBP and received by the Parent Company as a consideration for the investment property expropriated by the Philippine government in 2012 (see Note 14). The unquoted debt security, which is receivable in 10 equal annual installments until 2019, earns interest ranging from 0.1% to 1.0% in 2013 (1.6% to 2.3% in 2012) based on 91-day Treasury Bills. Interest earned amounted to ₱0.1 million in 2013(₱1.2 million in 2012) (see Note 7).

In 2014, the Parent Company rediscounted the said security for a total consideration of ₱5.3 million. Interest expense incurred from discounting amounted to ₱0.9 million, which is included as part of "Interest expense".

Details of receivable from LBP as at September 30, 2013 are as follows:

Current	₱1,038
Noncurrent	5,190
	₱6,228

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

Movements of allowance for impairment losses of receivables, determined using specific assessment, follow:

	2014					
	Trade	**Due from Related Parties**	**Due from Planters and Cane Haulers**	**Due from Employees**	**Others**	**Total**
Balance at beginning of year	**₱52,925**	**₱15,596**	**₱14,130**	**₱1,342**	**₱11,517**	**₱95,510**
Effect of deconsolidation	**(52,163)**	**(3,110)**	**(14,130)**	**(1,342)**	**(11,362)**	**(82,107)**
Balance at end of year	**₱762**	**₱12,486**	**₱–**	**₱–**	**₱155**	**₱13,403**

	2013					
	Trade	Due from Related Parties	Due from Planters and Cane Haulers	Due from Employees	Others	Total
Balance at beginning of year	₱86,661	₱15,596	₱11,882	₱1,342	₱9,816	₱125,297
Provisions	1,800	–	2,728	–	1,708	6,236
Write-offs	(35,536)	–	(480)	–	(7)	(36,023)
Balance at end of year	₱52,925	₱15,596	₱14,130	₱1,342	₱11,517	₱95,510

9. **Real Estate for Sale and Development**

This account consists of:

	2014	2013
Raw land and land improvements	**₱402,603**	₱345,142
Real estate properties for sale	**40,732**	42,801
	443,335	387,943
Allowance for impairment loss	**(2,323)**	–
	₱441,012	₱387,943

Capitalized borrowing costs incurred to finance the development of the Group's real estate projects amounted to ₱3.4 million and ₱2.0 million in 2014 and 2013, respectively (see Note 16).

Provision for impairment loss on pre-development cost of a project amounting to ₱2.3 million was recognized in 2014.

Cost of real estate sales amounted to ₱105.6 million and ₱34.4 million in 2014 and 2013, respectively (₱40.9 million in 2012) (see Note 23).

In 2014, certain properties with carrying amount of ₱20.2 million were damaged due to typhoon for which a loss on real estate for sale and development amounting to ₱0.7 million was recognized (see Note 17).

Aggregate cash price values and related aggregate carrying costs of real estate properties held for sale follow:

	2014	2013
Aggregate cash price values	**₱71,088**	₱74,699
Aggregate carrying costs	**(40,732)**	(42,801)
Excess of aggregate cash price values over aggregate carrying costs	**₱30,356**	₱31,898

Certain properties for development owned by RLC amounting to ₱181.5 million as at September 30, 2014 and 2013 are being used as collateral for the loans availed by the Parent Company and RLC (see Note 16).

10. **Inventories**

This account represents inventories of RHI and its subsidiaries that were deconsolidated in 2014 (see Note 6). As at September 30, 2013, this account consisted of:

At cost:	
Refined sugar	₱523,636
Alcohol	326,560
Molasses	161,019
At NRV:	
Materials and supplies	295,013
Raw sugar	244,666
	₱1,550,894

Cost of inventories valued at NRV as at September 30, 2013 is shown below:

Materials and supplies	₱311,873
Raw sugar	245,807
	₱557,680

Details and movements of allowance for product inventory losses and obsolescence as at and for the year ended September 30, 2013 follow:

	Note	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	23	11,544	2,000	13,544
Balance at end of year		₱1,141	₱16,860	₱18,001

Cost of inventories recognized as expense and included as "Direct materials used" under "Cost of goods sold" amounted to ₱396.1 million and ₱1,604.6 million in 2014 and 2013, respectively (₱2,786.0 million in 2012) (see Note 23).

11. Other Current Assets

This account consists of:

	2014	2013
Creditable withholding taxes - net	**₱49,838**	₱254,561
Input VAT	**6,154**	217,654
Restricted cash	**–**	32,839
Deposit to suppliers	**–**	8,372
Prepaid insurance	**–**	5,463
Others	**14,016**	19,593
	₱70,008	₱538,482

Certain other current assets amounting to ₱785.3 million including creditable withholding taxes and the related allowance for impairment loss were derecognized as a result of deconsolidation of RHI (see Note 6).

No provision for impairment loss on creditable withholding taxes was recognized in 2014.

Input VAT mainly arises from construction relating to the Ethanol Plant of RBC and purchases of goods and services for operations.

Restricted cash represents savings from the reduction of the interest on long-term borrowings, deposited to the escrow account as required under the provision of the loan agreement with Banco de Oro Unibank, Inc. (BDO) (see Note 16). The restricted cash has been applied as payments for long-term borrowings in 2014.

Deposit to suppliers pertains to purchases of goods and services.

Other current assets consist of fully impaired AFS financial assets amounting to ₱0.7 million, prepaid rent and other prepayments.

12. Investments in Associates and a Joint Venture

Movements in this account follow:

	Note	2014	2013
Associates			
Acquisition cost			
Balance at beginning of year		**₱308,162**	₱308,162
Remaining investment in RHI	6	**1,709,495**	–
Effect of deconsolidation of RHI*	6	**(127,933)**	–
Balance at end of year		**1,889,724**	308,162

(Forward)

	Note	2014	2013
Cumulative equity in net earnings -			
Balance at beginning of year		**₱310,989**	₱265,920
Equity in net earnings:			
Continuing operations		**196,941**	392
Discontinued operations		**–**	67,635
Effect of deconsolidation of RHI*	6	**(278,843)**	₱–
Dividends received		**(38,201)**	(22,958)
Balance at end of year		**190,886**	310,989
Unrealized loss on transfer of land		**(59,030)**	(59,030)
Share in:			
Fair value reserve		**5,129**	5,179
Remeasurement gains	3	**916**	–
Revaluation increment on land		**–**	207,492
		2,027,625	772,792
Allowance for impairment losses		**(15,233)**	(15,233)
		2,012,392	757,559
Joint Venture			
Acquisition cost		**155,000**	–
Equity in net earnings		**12**	–
Balance at end of year		**155,012**	–
		₱2,167,404	₱757,559

**Relate to HPCo.*

The following are the associates of the Group:

	Percentage of Ownership		
	2014	2013	Principal Activity
RADC	**50.00**[(1)]	50.00	Real estate developer
RHI and subsidiaries	**35.00**[(2)]	–	Production and selling of sugar and related products
FLC	**30.00**[(1)]	30.00	Real estate developer
FDC	**30.00**[(1)]	30.00	Real estate developer
CPFI	**25.20**[(1)]	25.20	Social recreational and athletic activities
HPCo	**–**	29.62[(3)]	Production and selling of sugar and related products

(1) Effective ownership through RLC.
(2) Effective December 2013 (see Note 1).
(3) Effective ownership through RHI.

Details of this account follow:

	2014	2013
Associates		
RHI and subsidiaries	**₱1,872,760**	₱–
Fuego Land Corporation (FLC))	**97,804**	98,790
Fuego Development Corporation (FDC)	**14,942**	19,211
Club Punta Fuego, Inc. (CPFI)	**18,460**	16,863
Roxaco ACM Development Corporation (RADC)	**8,427**	8,427
Hawaiian-Philippine Company (HPCo)	**–**	614,268
Joint Venture		
Roxaco Vanguard Hotel Corporation (RVHC)	**155,012**	–
	₱2,167,405	₱757,559

The following are the effective ownership of the Group in the subsidiaries of RHI as at September 30, 2014.

	Effective Ownership	Line of Business
CADPI	**35.00**	Production and selling of raw and refined sugar, molasses and related products
CACI	**35.00**	Production and selling of raw sugar and molasses
CADP Insurance Agency, Inc. (CIAI)[(1)]	**35.00**	Insurance agency
NAVI	**27.08**	Agricultural and industrial development
Roxol Bioenergy Corp. (RBC)	**35.00**	Production and selling of bioethanol fuel
CADP Port Services, Inc. (CPSI)[(1)]	**35.00**	Providing ancillary services
Roxas Power Corporation (RPC)[(1)]	**17.50**	Sale of electricity

(1) Has not yet started commercial operations.

All the associates and a joint venture are incorporated in the Philippines.

<u>Associates</u>

On November 29, 2013, the Parent Company sold its 31% equity ownership in RHI to First Pacific, a Hong Kong-based company. The Parent Company remains the major shareholder at 35% of RHI while First Pacific has 34% equity ownership as it acquired additional shares of stock of RHI from other stockholders (see Notes 1 and 6). As a result, the remaining 35% interest in RHI is now accounted for as an investment in associate.

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 (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.

Investment in RADC amounting to ₱3.7 million was provided with allowance for impairment loss as at September 30, 2014 and 2013.

Shares of stock of RHI totaling 99.6 million are used as security for long-term loan of the Parent Company amounting to ₱150.0 million and ₱400.0 million as at September 30, 2014 and 2013, respectively (see Note 16).

Summarized financial information of associates are as follows:

	2014	2013
Current assets	**₱4,235,197**	₱1,545,612
Noncurrent assets	**11,555,940**	1,533,054
Current liabilities	**2,273,464**	792,552
Noncurrent liabilities	**7,633,865**	470,950
Net assets	**5,883,809**	1,815,164
Revenue	**(1,136,139)**	399,242
Net income	**21,667**	483,641

Joint Venture

On December 3, 2013, RLC entered into a 50%-50% Agreement with Singapore's Vanguard Hotels Group to form a joint venture company namely Roxaco-Vanguard Hotel Corporation (RVHC) [formerly Vanguard Hospitality Assets (Phils.), Inc.] duly registered and incorporated with the SEC on December 8, 2010, primarily to build and own a minimum of five "Go Hotels" (the Projects) in Metro Manila and in selected provincial destinations over the next two to three years.

On May 15, 2014, the SEC approved RVHC's increase in authorized capital stock from 40,000 shares with ₱100.0 par value to 800.0 million common shares at ₱1.0 par value and 200.0 million preferred shares at ₱0.01 par value. As at September 30, 2014, RLC paid capital contributions for common shares subscription amounting to ₱155.0 million.

In 2014, RVHC started the predevelopment and/or construction of the Projects. Total cost to complete the Projects amounted to ₱1,519.0 million. As at September 30, 2014, total costs incurred on the Projects amounted to ₱373.3 million.

Summarized financial information of RVHC as at September 30, 2014 are as follows:

Current assets	₱131,820
Noncurrent assets	385,766
Current liabilities	207,500
Noncurrent liabilities	2,564
Net assets	307,521
Revenue	25
Net income	24

The accumulated equity in net earnings of associates and a joint venture amounting to ₱190.9 million and ₱311.0 million as at September 30, 2014 and 2013, respectively, is not available yet for dividend distribution to shareholders, unless received as cash dividends from the associates.

13. **Property, Plant and Equipment**

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

		2014						
	Note	**Land**	**Buildings and Improvements**	**Machinery and Equipment**	**Transportation Equipment**	**Office Furniture, Fixtures and Equipment**	**Construction in Progress**	**Total**
Cost								
Balance at beginning of year		**₱12**	**₱2,786,167**	**₱12,065,825**	**₱34,587**	**₱85,047**	**₱101,929**	**₱15,073,567**
Effect of deconsolidation of RHI	6	**–**	**(2,774,870)**	**(12,063,402)**	**(27,389)**	**(71,837)**	**(141,606)**	**(15,079,104)**
Additions		**–**	**–**	**–**	**2,060**	**706**	**39,677**	**42,443**
Reclassifications		**–**	**(952)**	**–**	**–**	**–**	**–**	**(952)**
Balance at end of year		**12**	**10,345**	**2,423**	**9,258**	**13,916**	**–**	**35,954**
Accumulated Depreciation and Amortization								
Balance at beginning of year		**–**	**1,087,762**	**5,985,281**	**29,591**	**74,358**	**–**	**7,176,992**
Effect of deconsolidation of RHI	6	**–**	**(1,184,235)**	**(5,982,858)**	**(29,458)**	**(63,095)**	**–**	**(7,259,646)**
Depreciation and amortization		**–**	**105,380**	**–**	**7,082**	**1,702**	**–**	**114,164**
Balance at end of year		**–**	**8,907**	**2,423**	**7,215**	**12,965**	**–**	**31,510**
Net Book Value		**₱12**	**₱1,438**	**₱–**	**₱2,043**	**₱951**	**₱–**	**₱4,444**

	2013						
	Land	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Office Furniture, Fixtures and Equipment	Construction in Progress	Total
Cost							
Balance at beginning of year	₱12	₱2,769,756	₱11,935,543	₱34,587	₱81,046	₱63,506	₱14,884,450
Additions	–	5,344	46,887	–	2,962	162,556	217,749
Disposals	–	–	(28,564)	–	(68)	–	(28,632)
Reclassifications	–	11,067	111,959	–	1,107	(124,133)	–
Balance at end of year	12	2,786,167	12,065,825	34,587	85,047	101,929	15,073,567
Accumulated Depreciation and Amortization							
Balance at beginning of year	–	974,802	5,433,890	23,668	68,657	–	6,501,017
Depreciation and amortization	–	112,960	557,492	5,923	5,765	–	682,140
Disposal	–	–	(6,101)	–	(64)	–	(6,165)
Balance at end of year	–	1,087,762	5,985,281	29,591	74,358	–	7,176,992
Net Book Value	₱12	₱1,698,405	₱6,080,544	₱4,996	₱10,689	₱101,929	₱7,896,575

Construction in progress pertaining mainly to regular plant improvements and rehabilitation of milling equipment of RHI's subsidiaries was deconsolidated in 2014.

No capitalized borrowing cost was recognized on property and equipment in 2014 and 2013. Unamortized capitalized borrowing cost of RHI's subsidiaries as at September 30, 2013 amounting to ₱483.8 million with corresponding deferred tax liability of ₱145.1 million (see Note 27) were deconsolidated in 2014.

The amount of depreciation and amortization is allocated as follows:

	Note	**2014**	2013	2012
Cost of goods sold	23	**₱105,102**	₱627,555	₱625,648
General and administrative expenses	24	**9,062**	57,185	66,734
		₱114,164	₱684,740	₱692,382

Depreciation and amortization in 2013 includes amortization of software cost of ₱2.6 million (see Note 24).

In June 2013, certain property and equipment with a carrying value of ₱22.3 million were damaged due to fire (see Note 26). An insurance claim amounting to ₱40.9 million was received and recognized as other income in 2014.

As at September 30, 2014 and 2013, fully depreciated property, plant and equipment with an aggregate cost of ₱19.2 million and ₱2,316.8 million, respectively, are still being used in the operations.

As at September 30, 2014 and 2013, certain property, plant and equipment were mortgaged and used as collateral to secure the loan obligations with the local banks (see Note 16).

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

	Note	**2014**	2013
At appraised values:			
Balance at beginning of year		**₱2,758,312**	₱2,758,312
Effect of deconsolidation of RHI	6	**(2,758,312)**	–
Balance at end of year		**₱–**	₱2,758,312
At cost		**₱–**	₱384,503

14. **Investment Properties**

This account consists of:

	Note	**2014**	2013
Land properties	19	**₱4,440,125**	₱4,615,912
Building		**8,419**	8,419
		₱4,448,544	₱4,624,331

Movements on investment properties are as follows:

	Note	**2014**	2013
Balance at beginning of year		**₱4,624,331**	₱4,624,562
Effect of deconsolidation of RHI	6	**(191,837)**	–
Unrealized fair value gains (losses)		**16,050**	(231)
Balance at end of year		**₱4,448,544**	₱4,624,331

The Parent Company

The total carrying amount of the Parent Company's investment properties includes land properties that are subjected to the CARL with total land area of 2,300.6 hectares and total value of ₱4,046.0 million and ₱4,021.5 million as at September 30, 2014 and 2013, respectively (see Note 29).

As at September 30, 2014 and 2013, the fair value of investment properties, including those land properties subjected to the CARL, are based on the appraised values of the properties as at October 27, 2014 and October 25, 2012, respectively, as determined by a professionally qualified independent appraiser.

The SEC, in its letter dated January 26, 2011 to the Parent Company, approved the change in the accounting measurement of investment properties of the Parent Company, including land properties subjected to the CARL, from cost to fair value method and the transfer of the debit balance in the "Other equity reserve" to restricted retained earnings. The debit balance in the "Other equity reserve" amounting to ₱4.0 billion in 2009 resulting from the excess of the considerations received over the net assets acquired arising from the merger of CADPGC and Roxas & Company, Inc. (see Note 19). The SEC approved the foregoing accounting treatment on the basis of the facts and circumstances provided by the Parent Company.

On September 28, 2012, the Parent Company executed a Deed of Assignment, Warranties and Undertaking covering the Parent Company's 75.12 hectares of land in Hacienda Palico located at Brgy. Cogonan, Nasugbu, Batangas with a carrying value of ₱202.6 million, by way of expropriation by the Philippine Government for a total consideration of ₱12.5 million, transferring the ownership to the farmer beneficiaries. The expropriation by the Philippine Government resulted to a loss amounting to ₱190.1 million in 2012. Moreover, the related net unrealized fair value gain on expropriated land properties amounting to ₱13.4 million included in the restricted retained earnings were reclassified to unrestricted retained earnings (see Note 19).

On June 6, 2013, the Parent Company received the compensation from LBP consisting of cash and unquoted debt security amounting to ₱1.2 million and ₱10.7 million, respectively, which was subsequently rediscounted (see Note 8).

On December 20, 2013, the Parent Company leased certain investment properties to a third party for a period of three cropyears. Rent income recognized amounted to ₱0.9 million in 2014 (see Notes 26 and 29).

As at September 30, 2014 and 2013, investment properties with carrying value of ₱6.8 million and ₱6.2 million, respectively, are used as collateral for the long-term borrowings (see Note 16).

<u>RLC</u>

Investment property of RLC pertains to a commercial building for lease in Nasugbu, Batangas. The fair value of the investment property as at September 30, 2014 and 2013 are based on the appraisal reports dated November 17, 2013, as determined by a professionally qualified independent appraiser. Management believes that the fair value as at September 30, 2014 does not significantly differ from the fair value obtained in 2013.

RLC recognized unrealized loss on fair value adjustment amounting to ₱0.2 million in 2013 (₱0.4 million in 2012) (see Note 26).

Rental income from this investment property amounted to ₱0.7 million and ₱0.8 million in 2014 and 2013, respectively (₱1.4 million in 2012) (see Note 26).

Bases of Valuation. The value of the properties was arrived at by using the Sales Comparison Approach. This is a comparative approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison.

15. **Short-term Borrowings**

Short-term borrowings consist of unsecured short-term loans obtained from various local banks to meet its working capital requirements. These short-term borrowings are payable within 30 days to 180 days in 2014 and 30 days to 120 days in 2013 and bear annual interest ranging from 3.0% to 6.5% in 2014 and 3.0% to 7.0% in 2013.

Total interest expense arising from short-term borrowings amounted to ₱11.6 million and ₱61.2 million in 2014 and 2013, respectively (₱129.6 million in 2012) (see Note 16).

16. **Long-term Borrowings**

Long-term borrowings consist of loans from:

	2014	2013
Bank of the Philippine Islands (BPI)	**₱150,000**	₱900,000
BDO	**108,975**	5,120,694
Syndicated Loans:		
BPI	**–**	896,552
Rizal Commercial Banking Corporation (RCBC)	**–**	448,276
BPI Family Savings Bank	**–**	4,095
	258,975	7,369,617
Current portion	**(22,500)**	(158,277)
Noncurrent portion	**₱236,475**	₱7,211,340

Outstanding balance of long-term loans of the Group follows:

	2014	2013
Parent Company	**₱150,000**	₱400,000
RLC	**108,975**	134,095
RHI and subsidiaries	**–**	6,835,522
	₱258,975	₱7,369,617

Loans of the Parent Company

BPI Loan

On January 21, 2013, BPI approved the modified principal repayment schedule of short-term loan amounting to ₱400.0 million into a long-term loan, which bears interest ranging from 4.50% to 5.50%. Interest is payable quarterly in arrears. Principal is payable in 20 equal amortizations commencing on January 2015 until 2019. Advance payment of ₱250.0 million was made in 2014.

Long-term borrowings of the Parent Company with BPI amounted to ₱150.0 million and ₱400.0 million as at September 30, 2014 and 2013, respectively.

The bank loan with BPI is classified as follows:

	2014	2013
Current portion	**₱22,500**	₱–
Noncurrent portion	**127,500**	400,000
	₱150,000	₱400,000

As at September 30, 2014 and 2013, the said loan is secured by real estate mortgages and pledge over shares of stock owned by the Parent Company as follows:

	Note	2014	2013
Shares of stock of RHI (99.6 million shares as at September 30, 2014 and 2013)		**₱322,265**	₱322,265
Real estate for sale and development of RLC	9	**178,821**	178,821
Investment property	14	**6,838**	6,216
Property, plant and equipment	13	**224**	370
		₱508,148	₱507,672

Loans of RLC
In 2013, the Company obtained a new term loan facility from BDO amounting to ₱130.0 million. The loan facility was released on a staggered basis, with the ₱85.0 million released in November 2012, the ₱20.0 million released in January 2013 and the remaining ₱25.0 million released in April 2013. The loans bear fixed interest of 4.25%, for the first 45 to 92 days and being repriced every 30 to 180 days. Principal amounts are payable quarterly after the one-year grace period as allowed by the bank for five years until 2018.

The loan facility is secured by RLC's real estate for sale and development amounting to ₱2.7 million as at September 30, 2014 and 2013 (see Note 9).

Loans of RHI
The outstanding loans of RHI as at September 30, 2013 are as follows:

BDO:	
Loan I	₱3,265,694
Loan II	925,000
Loan III	800,000
	4,990,694
Bank of the Philippine Islands (BPI)	500,000
Syndicated Loans:	
BPI	896,552
RCBC	448,276
	1,344,828
	6,835,522
Current portion	(158,277)
Noncurrent portion	₱6,677,245

The loan balance of RHI were deconsolidated in 2014 (see Note 6).

BDO Loan Facilities

On February 8, 2008, RHI signed the long-term loan facility (Loan I) with BDO for an aggregate amount of ₱4,619.0 million to finance the Expansion Project of RHI and its subsidiaries, 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.

The 2011 amendment provided a reduced interest of 6.5% with a requirement to RHI and CADPI/CACI 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 the loans in 2014 (see Note 11).

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.

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 as availed of by CADPI alone is payable on February 15, 2016 and bears interest at prevailing market rate being re-priced quarterly.

BPI Loan Facility

On June 14, 2012, CADPI entered a separate loan agreement with BPI 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.

Syndicated Loans

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.

Suretyship Agreements and Mortgage Trust Indenture

In relation to the BDO loan facility, the Parent Company, RHI and RLC entered in a Continuing Suretyship Agreement with BDO. Under the Agreement, BDO shall have the right to proceed against the surety for the payment of the secured obligations. The suretyship shall remain in full force and effect to secure any future indebtedness until released by the bank at the request of the surety.

Interest Expense
Total interest expense incurred, net of capitalized borrowing costs related to real estate projects of RLC amounting to ₱3.4 million and ₱2.0 million in 2014 and 2013, are as follows:

	2014	2013	2012
Continuing Operations:			
Long-term loans	**₱14,262**	₱24,872	₱21,543
Receivable from LBP	**900**	–	–
Short-term loans	**310**	884	6,956
	15,472	25,756	28,499
Discontinued Operations:			
Long-term loans	**52,324**	330,346	351,600
Short-term loans	**11,299**	60,316	122,645
	63,623	390,662	474,245
	₱79,095	₱416,418	₱502,744

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;
- prohibition on any material change in ownership or control of its business or capital stock or in the composition of its top level management and;
- prohibition on declaration or payment of dividends or any other capital or other asset distribution to its stockholders.

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

In November 2013, the Group obtained from creditor banks a letter consenting on the disposal of the Parent Company’s 31% equity interest in RHI in favor of First Pacific (see Note 1).

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

	2014	2013
Less than one year	**₱22,500**	₱158,277
Between one and two years	**172,725**	1,278,994
Between two and five years	**63,750**	2,589,478
Over five years	**–**	3,342,868
	₱258,975	₱7,369,617

17. **Trade and Other Payables**

This account consists of:

	Note	**2014**	2013
Trade		**₱61,689**	₱245,609
Due to:			
Related parties	20	**54,479**	59,465
Contractors		**–**	21,385
Planters		**–**	11,158
Accrued expenses:			
Payroll and other benefits		**22,266**	40,209
Interest		**1,515**	51,132
Outside services		**864**	318
Others		**3,654**	31,810
Customers' deposits		**12,898**	47,430
Payable to government agencies for taxes and statutory contributions		**₱982**	₱130,561
Provision for probable losses	29	**–**	48,438
Retention payable		**–**	7,285
Others		**17,826**	86,561
		₱176,173	₱781,361

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

Accrued other expenses consist principally of accruals for purchase of goods and services such as utilities, freight and handling and repairs and maintenance.

Details of customers' deposits follow:

	2014	2013
Real estate properties	**₱12,799**	₱17,036
Sugar and molasses	**–**	30,394
Others	**99**	–
	₱12,898	₱47,430

Customers' deposits represent noninterest-bearing cash deposits from buyers of the sugar and molasses, and cash received from the sale of real estate properties, which did not meet the revenue recognition criteria as set out in Note 4. Deposits from buyers of sugar and molasses of RHI's subsidiaries were deconsolidated in 2014 (see Note 6).

Payable to government agencies and other payables are noninterest-bearing and are normally settled throughout the year.Deposits from sale of real estate properties will be applied against the receivable from the customers upon recognition of revenue.

Other payables mainly pertain to reimbursements to employees and to third parties for sugar liens and other related fees.

18. **Retirement Benefits**

The Parent Company, RLC, and its associates, namely: RHI, CACI, and CADPI, maintain individual and separate funded non-contributory defined benefit plans covering all eligible employees.

Retirement Benefits

The amounts recognized as retirement benefits in the consolidated statements of income are as follows:

	2014	2013 (As restated - see Note 3)	2012 (As restated - see Note 3)
Current service cost	**₱8,882**	₱32,142	34,075
Interest cost	**2,028**	2,871	9,865
Adjustment due to curtailment	**–**	6,218	88,438
	₱10,910	₱41,231	₱132,378

The cumulative remeasurement gain (loss) on retirement liability recognized as other comprehensive income follows:

		2014		
	Note	**Cumulative Loss**	**Deferred Tax**	**Net**
Balance at beginning of year		**(₱328,993)**	**₱98,698**	**(₱230,295)**
Remeasurement gains		**1,924**	**(577)**	**1,347**
Effect of deconsolidation	6	**331,535**	**(99,460)**	**232,075**
Balance at end of year		**₱4,466**	**(₱1,339)**	**₱3,127**

	2013 (As restated - see Note 3)		
	Cumulative Loss	Deferred Tax	Net
Balance at beginning of year	(₱155,324)	₱46,597	(₱108,727)
Remeasurement loss	(173,669)	52,101	(121,568)
Balance at end of year	(₱328,993)	₱98,698	(₱230,295)

Retirement Liability

The retirement liability recognized in the consolidated statements of financial position follows:

	2014	2013 (As restated - see Note 3)
Present value of obligation	**₱16,967**	₱529,865
Fair value of plan assets	**(10,238)**	(298,033)
Retirement liability	**₱6,729**	₱231,832

Movements in the defined benefit obligation are as follows:

	Note	2014	2013 (As restated - see Note 3)
Balance at beginning of year		**₱529,865**	₱513,912
Current service cost		**8,882**	32,142
Interest cost		**4,642**	29,719
Benefits paid		**(2,950)**	(132,530)
Actuarial loss (gain)		**(4,749)**	86,622
Effect of deconsolidation of RHI	6	**(518,723)**	–
Balance at end of year		**₱16,967**	₱529,865

Movements in the fair value of plan assets are as follows:

	Note	2014	2013 (As restated - see Note 3)
Balance at beginning of year		**₱298,033**	₱463,005
Actual return on plan assets		**758**	26,293
Benefits paid		**(2,950)**	(132,530)
Contributions		**1,074**	124,403
Actuarial gain (loss)		**35,370**	(183,138)
Effect of deconsolidation	6	**(322,047)**	–
Balance at end of year		**₱10,238**	₱298,033

Plan assets of the Parent Company, RLC and RHI as at September 30, 2014 and 2013 consist of:

	2014	2013
Cash and cash equivalents	**100%**	6%
Government securities	**–**	69%
Stock and other securities	**–**	23%
Receivables	**–**	2%
	100%	100%

The Parent Company and RLC are expected to contribute a total of ₱10.0 million to their respective retirement funds for fiscal year ending September 30, 2015. The principal actuarial assumptions used in determining retirement benefits and gratuities cost as at beginning of each year follows:

	2014	2013
Discount rate	**3.84% to 3.89%**	5.03% to 5.35%
Future salary increases	**5% to 6%**	5% to 6%

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

	Change in Assumption	Effect on Retirement Liability
Discount Rate	+0.5%	(₱127,357)
	-0.5%	140,776
Salary Rate	+1%	277,971
	-1%	(232,257)

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.

Weighted average duration of the defined benefit liability is 16 years.

The expected return of 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 fund's past performance.

19. **Equity**

a. Capital Stock

Details of capital stock follows:

	2014		2013	
	Number of Shares	**Amount**	Number of Shares	Amount
Common stock "Class A" - ₱1 par value				
Authorized	**3,375,000,000**	**₱3,375,000**	3,375,000,000	₱3,375,000
Issued stock	**2,911,885,869**	**₱2,911,886**	2,911,885,869	₱2,911,886
Treasury stock	**(990,384,775)**	**(1,683,654)**	–	–
Issued and outstanding	**1,921,501,094**	**₱1,228,232**	2,911,885,869	₱2,911,886

On December 3, 2013, RCI implemented the buyback of 990,384,775 shares from four of its stockholders at the price of ₱1.70 a share in a private sale, representing 34% of the outstanding capital stock of RCI. The BOD approved the plan to buy back shares on November 13, 2013.

b. Track Record of Registration

Date	Number of Shares Licensed	Issue/Offer Price
October 7, 1918	15,000	₱100.00
February 15, 1963	2,500,000	10.00
September 30, 1969	3,000,000	10.00
January 13, 1977	5,000,000	10.00
May 21, 1990	12,500,000	10.00*
December 3, 1996	200,000,000	1.00
October 26, 1999	400,000,000	1.00
April 2, 2002	2,000,000,000	1.00
February 7, 2005	1,962,500,000	1.00
June 23, 2009	3,375,000,000	1.00

** Par Value was subsequently reduced to ₱1.00*

c. Additional Paid-in Capital and Revaluation Increment on Land

In 2002, RHI undertook the Reorganization Program. As part of the Reorganization Program, the sugar milling and refinery business in Nasugbu, Batangas was spun-off to CADPI. The assets and liabilities, excluding the land in Nasugbu, were transferred by RHI as capital contribution to CADPI. Such properties transferred include revaluation increment on depreciable property, plant and equipment amounting to ₱150.6 million. Thus, the carrying value of the net assets transferred to CADPI, including the revaluation increment, was deemed as the historical cost of such assets for CADPI (see Note 4).

On December 1, 2002, RHI exchanged its shareholdings in CADPI, CCSI and CFSI for ₱1.3 billion of CADPGC's common shares with a par value of ₱1 a share for ₱2.0 billion, the cost of investments of RHI immediately before transfer. CADPGC recognized a premium of ₱596.8 million and share in revaluation increment in property of subsidiary amounting to ₱150.6 million. Consequently, RHI's ownership interest in CADPGC increased and CADPI, CCSI and CFSI became wholly owned subsidiaries of CADPGC.

On July 1, 2004, CADPGC's Negros sugar milling business was spun-off, which was the last phase of the Reorganization Program. The said spin-off, as approved by the SEC on February 10, 2004, involved the transfer of CADPGC's net assets aggregating to ₱1.4 billion in exchange for CACI's 200 million common shares at ₱1 per share. The basis of valuation of the CACI shares received by CADPGC was the carrying value of the transferred net assets, which included the land at appraised values.

d. Restructuring on Equity

CADPGC and Roxas & Company, Inc. have undertaken a merger effective June 29, 2009, with CADPGC, as the surviving entity. The transaction was accounted for under pooling of interests and as such, comparative balances were presented as if the combining entities have always been combined. As a result, the investment of Roxas & Company, Inc. in CADPGC amounting to ₱119.0 million in 2008 prior to the merger was accounted for as treasury stock and revaluation increment on land of CADPGC increased to ₱280.0 million. Further, the excess between the consideration received and equity acquired arising from the merger was recognized by the combined entities as a component of equity under "Other equity reserve", which amounted to ₱4.0 billion in 2009.

In fiscal year ended June 30, 2011, the Group opted to transfer the balance of the “Other equity reserve” arising from the merger between Roxas & Company, Inc. and CADPGC as discussed in the preceding paragraph to restricted retained earnings as management believes that such transfer of the “Other equity reserve” arising from the merger will result to a more useful and relevant financial statements. In January 2011, the SEC had concurred with the adjustments made by the Parent Company (see Note 14).

e. Retained Earnings

Restricted and/or appropriated retained earnings
Retained earnings that are not available for dividend declaration are as follows:

	Note	**2014**	2013
Appropriation for treasury stock		**₱1,683,654**	₱–
Net unrealized fair value gains on investment properties included in the retained earnings	14	**283,545**	283,545
Application of revaluation increment against deficit		**203,075**	203,075
		₱2,170,274	₱486,620

On November 13, 2013, the Company appropriated a portion of its retained earnings amounting to ₱1,684.0 million for the cost of treasury shares acquired.

On October 14, 1999, the SEC approved the Parent Company’s quasi-reorganization, which involved the elimination of deficit amounting to ₱203.1 million as at July 31, 1999 by offsetting the entire amount against the revaluation increment on land.

For purposes of dividend declaration, the retained earnings of the Parent Company shall be restricted to the extent of the deficit wiped out by the appraisal increment and the gain on changes in fair value on investment properties that was closed to retained earnings, net of the debit balance of “Other equity reserve” account (see Note 14).

Cash dividends declared by the Parent Company against the retained earnings are as follows:

Date Approved	Per Share	Total Amount	Stockholders of Record Date	Date Payable
December 13, 2013	₱0.02	₱38,430	January 6, 2014	January 30, 2014

Outstanding dividends payable amounted to ₱5.3 million and ₱4.4 million as at September 30, 2014 and 2013, respectively.

f. Share Prices

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

Quarter	High	Low
October 2013 through September 2014		
First	₱4.44	₱3.50
Second	3.38	3.37
Third	3.08	2.79
Fourth	2.96	2.85
October 2012 through September 2013		
First	3.50	1.68
Second	2.39	2.25
Third	3.00	2.27
Fourth	2.25	1.51
October 2011 through September 2012		
First	2.10	1.10
Second	3.20	1.26
Third	2.85	1.51
Fourth	2.25	1.51

20. **Related Party Transactions**

The transactions and related balances of the Group with other related parties are as follows:

Related Party	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 17)
Associates					
FDC	Noninterest-bearing advances	**2014**	**₱2,238**	**₱40,362**	**₱2,388**
		2013	–	27,302	2,388
	Dividends receivable*	**2014**	**–**	**–**	**–**
		2013	–	4,500	–
	Interest-bearing advances	**2014**	**–**	**–**	**10,822**
		2013	–	10,822	10,822
FLC	Noninterest-bearing advances	**2014**	**–**	**–**	**–**
		2013	–	–	8,816
	Dividends receivable*	**2014**	**–**	**4,624**	**–**
		2013	–	14,984	–
RADC	Noninterest-bearing advances	**2014**	**–**	**–**	**10,966**
		2013	–	–	10,966
CACI	Interest income on advances	**2014**	**3,841**	**–**	**–**
		2013	–	–	–
Joint Venture Partner					
VJ Properties, Inc.(VJPI)	Noninterest-bearing advances	**2014**	–	**7,552**	**1,906**
		2013	–	8,742	–
Marilo Realty Development Corporation	Noninterest-bearing advances	**2014**	**2,102**	**581**	**3,000**
		2013	–	–	318

(Forward)

Related Party	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 17)
LPC	Defrayment of cost and expenses for restructuring	**2014**	₱–	**₱3,112**	**₱23,850**
		2013	7,023	3,112	24,061
Retirement Fund					
CADP Retirement Fund, Inc. (CADPRFI)	Lease of office space	**2014**	**–**	**–**	**–**
		2013	1,543	–	1,997
	Noninterest-bearing advances	**2014**	**–**	**–**	**–**
		2013	–	4,758	–
RHI Retirement Fund, Inc. (RHIRFI)	Noninterest-bearing advances	**2014**	**–**	**–**	**–**
		2013	–	28,546	–
Others	Noninterest-bearing advances	**2014**	**19,088**	**9,639**	**1,547**
		2013	129	328	97
		2014		**₱65,870**	**₱54,479**
		2013		103,094	59,465

**Includes dividends receivable amounting to ₱4.6 million and ₱19.5 million as at September 30, 2014 and 2013, respectively.*

In the normal course of business, the Company extends/avails of advances to/from its related parties, with no definite repayment terms. The advances to and from related parties are non-interest bearing, except for short-term loan to CACI, which bears interest at 3% and interest-bearing advances to FDC, which bear interest at 10%. Interest income recognized amounted to ₱3.8 million and ₱238 in 2014 and 2013, respectively (₱0.5 million in 2012) (see Note 7).

In 2004, RLC and LPC by way of a Deed of Assignment of Rights, assigned to Punta Fuego Holdings Corporation (PFHC) the rights and privileges to their 105 and 245 club shares in CPFI, respectively. In consideration of the assignment of rights and privileges, PFHC pays RLC and LPC an amount equivalent to 85% of the net income earned from the club shares to be remitted on or before May 5 of each year beginning 2005. The respective shares of RLC and LPC were computed in proportion to the number of club shares they have each assigned. In 2005, PFHC and FDC merged with FDC, as the surviving entity. As a result, FDC assumed the said liability of PFHC to RLC. As at September 30, 2014, RLC is still in negotiation with FDC for the allocation of the actual number of shares assigned. RLC did not recognize assignment fee in 2014 and 2013.

As at September 30, 2013, the Company's outstanding receivables from CADPRFI represent advance payments made by the Parent Company to its redundated employees.

Outstanding balances at year-end are unsecured and settlement normally occurs in cash, unless otherwise indicated above. No guarantees have been provided or received for these balances. Advances to and from related parties are noninterest-bearing and have no fixed repayment terms unless otherwise indicated above. Impairment review is undertaken each financial year. As at September 30, 2014 and 2013, allowance for impairment loss amounting to ₱3.1 million pertains to due from LPC.

Compensation of key management is as follows:

	2014	2013 (As restated - see Note 3)	2012 (As restated - see Note 3)
Continuing Operations			
Salaries and short-term benefits	**₱12,720**	₱4,412	₱3,414
Retirement benefits	**1,413**	490	379
	14,133	4,902	3,793
Discontinued Operations			
Salaries and short-term benefits	**45,175**	55,484	54,481
Retirement benefits	**5,019**	5,943	6,053
	50,194	61,427	60,534
	₱64,327	₱66,329	₱64,327

On May 14, 2013, the BOD of the Parent Company approved the increase in the directors' remuneration payable in cash and shares of stock of the Parent Company. On March 6, 2014, RCI applied with the SEC for the approval of share-based compensation as an exempt transaction. As at the date of the report, the application for the issuance of the share component as director's remuneration is pending before the SEC. Consequently, no shares have been issued.

The fair value of the shares based on the closing price of shares on the PSE on the last trading day immediately preceding the meeting follows:

Date of Meeting	Number of shares	Market Value per Share	Amount
August 13, 2013	60,000	₱2.5	₱150,000
December 13, 2013	44,118	3.4	150,000
February 13, 2014	42,858	3.5	150,000
May 13, 2014	52,710	3.3	175,000
August 7, 2014	58,333	3.0	175,000

The expense recognized on the foregoing amounted to ₱0.9 million in 2014 presented as part of "Salaries, wages and other employee benefits" account in the consolidated statements of income.

21. Employee Stock Option Plans (ESOP) of RHI

The BOD of RHI approved the establishment of an ESOP of RHI on May 8, 2013. The ESOP covers all employees of RHI 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, 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 30.0 million common shares of RHI's unissued shares have been initially reserved under the ESOP.

RHI has granted 24.6 million shares of common stock under the ESOP. As at September 30, 2013, stock option granted remains outstanding and has not vested.

The fair value of the ESOP plan was estimated at the date of grant using Black Sholes-Merton model with the following inputs:

	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%

It also considered the exercise share price of ₱0.7 and a weighted average share price of ₱0.9 as at valuation date. 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 employee stock option expense recognized for employee services received amounted to ₱2.0 million in 2013 presented under “Salaries, wages and other employee benefits” account.

22. **Revenue**

Revenue from continuing operations consists of the following:

	2014	2013	2012
Sale of real estate	**₱199,809**	₱83,161	₱94,987
Others	**17,750**	24,597	119
	₱217,559	₱107,758	₱95,106

Revenue from discontinued operations (see Note 6) consists of:

	2014	2013	2012
Sale of:			
Refined sugar	**₱587,102**	₱3,728,423	₱3,648,085
Raw sugar	**432,770**	1,577,317	3,008,261
Alcohol	**121,881**	375,104	672,166
Molasses	**52,677**	363,763	196,267
Tolling fees	**–**	19,246	125,927
Others	**–**	875	23,787
	₱1,194,430	₱6,064,728	₱7,674,493

23. **Cost of Sales**

Cost of sales from continuing operations pertain to cost of real estate sales amounting to ₱105.6 million and ₱34.4 million in 2014 and 2013, respectively (₱40.9 million in 2012).
Cost of sales from discontinued operations (see Note 6) consists of:

	Note	**2014**	2013	2012
Cost of goods sold:				
Direct materials used	10	**₱396,137**	₱1,604,554	₱2,786,006
Cost of transporting cane to mill		**138,361**	848,113	888,670
Materials and consumables		**106,653**	233,984	276,778
Depreciation and amortization	13	**105,102**	627,555	625,648
Salaries, wages and other employee benefits	25	**66,426**	301,663	399,912
Repairs and maintenance		**54,810**	156,435	244,355
Fuel and oil		**26,351**	290,320	250,690
Taxes and licenses		**19,818**	77,827	150,942
Rent	29	**13,417**	60,713	51,224
Communication, light and water		**8,767**	77,875	72,364
Insurance		**7,790**	25,780	31,732
Outside services		**–**	120,833	89,016
Provision for inventory losses and obsolescence	10	**–**	12,114	59,727
Others		**10,409**	12,388	29,455
		₱954,041	₱4,450,154	₱5,956,519

24. **Operating Expenses**

General and administrative expenses from continuing operations consist of:

	Note	**2014**	2013 (As restated - see Note 3)	2012 (As restated - see Note 3)
Salaries, wages and other employee benefits	25	**₱34,056**	₱40,866	₱33,900
Outside services		**16,369**	13,157	13,346
Repairs and maintenance		**3,314**	1,773	1,343
Taxes and licenses		**3,263**	9,615	3,321
Communication, light and water		**3,163**	3,842	2,959
Representation and entertainment		**2,907**	3,762	5,084
Depreciation and amortization	13	**2,365**	2,491	2,583
Provision for impairment of pre-development cost	9	**2,323**	–	–
Travel and transportation		**1,597**	1,716	1,566
Provision for yield guarantee	29	**1,085**	–	–
Loss on insurance claims		**715**	–	–
Provision for impairment loss on AFS financial asset	12	**688**	–	–

(Forward)

	Note	2014	2013 (As restated - see Note 3)	2012 (As restated - see Note 3)
Materials and consumables		**₱607**	₱3,066	₱655
Provision for impairment losses on receivables	8	**288**	–	560
Corporate social responsibility		**179**	60	119
Insurance		**151**	202	415
Rent	29	**–**	–	1,038
Others		**7,555**	8,547	4,141
		₱80,625	₱89,097	₱71,030

Others include professional fees, training and development and other miscellaneous charges.

General and administrative expenses from discontinued operations (see Note 6) consist of:

	Note	2014	2013	2012
Salaries, wages and other employee benefits	25	**₱54,524**	₱193,762	₱249,738
Taxes and licenses		**23,522**	95,529	63,423
Depreciation and amortization	13	**6,697**	54,694	64,151
Transfer Cost		**4,651**	–	–
Outside services		**4,272**	109,261	78,465
Materials and consumables		**3,572**	25,356	21,367
Training		**2,947**	–	–
Corporate social responsibility		**2,836**	11,043	2,354
Rent	29	**2,737**	22,511	22,453
Insurance		**2,303**	27,774	29,505
Communication, light and water		**1,787**	10,373	9,817
Research and Development		**1,190**	–	–
Travel and transportation		**885**	6,517	19,367
Repairs and maintenance		**768**	8,079	11,357
Provision for impairment losses on receivables	8	**–**	6,236	100,319
Representation and entertainment		**–**	1,953	1,390
Provision for inventory losses and obsolescence	10	**–**	1,430	–
Provision for probable losses	29	**–**	–	85,003
Provision for impairment losses on creditable withholding taxes		**–**	–	1,187
Others		**16,017**	48,646	24,659
		₱128,708	₱623,164	₱784,555

Selling Expenses

Selling expense from continuing and discontinued operations follow:

	2014	2013	2012
Continuing operations	**₱20,106**	₱19,184	₱3,523
Discontinued operations (see Note 6):			
Sugar liens and monitoring fees	**₱5,662**	₱35,800	₱74,990
Advertising and shipping cost	**25**	4,561	–
	₱5,687	₱40,361	₱74,990

25. **Personnel Costs**

The components of employee benefits from continuing operations presented under "General and administrative expenses" account in the consolidated statements of income are as follows:

	Note	**2014**	2013	2012
Salaries and wages	23, 24	**₱13,817**	₱32,711	₱25,928
Allowances and other employee benefits	23, 24	**16,828**	4,882	6,106
Retirement benefits	18	**3,411**	3,273	1,866
		₱34,056	₱40,866	₱33,900

The components of employee benefits from discontinued operations are as follows:

	Note	**2014**	2013	2012
Salaries and wages	23, 24	**₱76,407**	₱412,096	₱404,550
Allowances and other employee benefits	23, 24	**37,044**	45,371	114,588
Retirement benefits	18	**7,499**	37,958	130,512
		₱120,950	₱495,425	₱649,650

Employee benefits from discontinued operations are allocated as follows:

	Note	**2014**	2013	2012
Cost of sales	23	**₱66,426**	₱301,663	₱399,912
General and administrative expenses	24	**54,524**	193,762	249,738
		₱120,950	₱495,425	₱649,650

26. **Other Income (Charges)**

Other income (charges) from continuing operations consists of:

	Note	**2014**	2013	2012
Rent income	14	**₱1,602**	₱835	₱1,356
Net foreign exchange gains (losses)		**3**	6	(6)
Income from performance bank guarantee		**–**	65,837	–
Loss on disposal of property and equipment and investment properties	14	**–**	–	(190,651)
Others		**698**	(64,289)	14,705
		₱2,303	₱2,389	(₱174,596)

Other income (charges) from discontinued operations (see Note 6) consists of:

	Note	**2014**	2013	2012
Net foreign exchange gains (losses)		**₱50**	(₱607)	(₱7,767)
Sugar and molasses handling fees		**–**	22,940	11,335
Loss on property and equipment due to fire	13	**–**	(22,305)	–
Rent income	29	**–**	6,625	5,756
Recovery from insurance claims		**–**	5,340	20,676
Income from performance bank guarantee		**–**	(3,003)	–
Sale of scrap		**–**	1,998	10,393
Unrealized fair value gains (losses) on investment property	14	**–**	–	5,351
Gain (loss) on sale of property and equipment	14	**–**	–	327
Others		**11,562**	94,301	66,564
		₱11,612	₱105,289	₱112,635

Recovery from insurance claims pertains to the amount collected from the insurer which represents recovery from loss of irreparable equipment. Others pertain mainly to replenishment fees in 2014 and 2013.

In September 2013, RBC 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, ₱27.1 million was used to settle receivable from the plant contractor, while the remaining ₱65.8 million was recognized as other income.

27. **Income Taxes**

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

	2014	2013 (As restated - see Note 3)	
	Net Deferred Tax Assets[(1)]	Net Deferred Tax Assets[(1)]	Net Deferred Tax Liabilities[(2)]
Deferred tax assets on:			
Taxable temporary difference arising from use of installment method of revenue recognition for tax reporting	**(₱2,564)**	₱–	₱–
Retirement liabilities	**2,140**	6,914	–
Cash advances from customers	**1,801**		
Unrealized gross profit on inventory	**634**	4,390	50
Allowance for:			
Impairment losses on investments in associates	**1,213**	1,384	–
Inventory losses and obsolescence	**697**	4,275	–
Impairment losses of receivables	**933**	34,942	–
Impairment losses on creditable withholding taxes	**–**	3,663	–
Various accruals	**600**	23,418	–
Net unrealized foreign exchange loss	**8**	1,626	–
Preoperating expenses	–	–	27,711
Unamortized past service cost	**–**	71,490	398
Excess MCIT	**–**	9,521	–
Employee stock option	**–**	155	427
	5,462	161,778	28,586
Deferred tax liabilities on:			
Retirement assets	**(381)**	(724)	63,362
Revaluation increment on land	**(171)**	(4,995)	(743,289)
Prepaid commission	**(118)**		
Unamortized capitalized interest	**–**	(117,386)	(27,760)
Unrealized gain on fair value adjustment on investment property	**–**	(381)	(1,605)
Share in noncontrolling interest on revaluation increment on land	**–**	–	(17,004)
Unrealized foreign exchange loss	**–**	(1)	–
Unrealized share in fair value reserve of an associate	**–**	(171)	–
	(670)	(123,658)	(726,296)
Net deferred tax assets (liabilities)	**₱4,792**	₱38,120	(₱697,710)

(1) The recognized net deferred tax assets pertain to the Parent Company, RHI, RLC, CADPI and CACI.
(2) The recognized net deferred tax liabilities pertain to the Parent Company, RHI, RLC RBC and NAVI.

Presentation of net deferred tax assets (liabilities) is as follows:

	Note	2014	2013 (As restated - see Note 3)
Through profit or loss		**₱6,131**	(₱758,288)
Through other comprehensive income	18	**(1,339)**	98,698
		₱4,792	(₱659,590)

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

	2014	2013 (As restated - see Note 3)
NOLCO	**₱33,017**	₱120,317
Allowance for impairment losses on:		
Investments in associates	**14,262**	15,312
Receivables	**2,813**	8,886
AFS financial assets	**206**	–
Allowance for inventory losses and obsolescence	**–**	3,751
Excess MCIT	**199**	3,576
	₱50,497	₱151,842

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.

c. Details of benefits arising from NOLCO and MCIT and the corresponding analysis of the tax effect are as follow:

NOLCO

Incurred for the Period Ended	Balance as at Beginning of Year	Applied	Expired	Balances as at the End of the Year	Tax Effect	Available Until
September 30, 2011	₱ 10,943	₱–	₱10,943	₱–	₱–	September 30, 2014
September 30, 2012	45,122	–	–	45,122	13,537	September 30, 2015
September 30, 2013	43,787	3,190	–	40,597	12,179	September 30, 2016
September 30, 2014	24,338	–	–	24,338	7,301	September 30, 2017
	₱124,190	₱3,190	₱10,943	₱110,057	₱33,017	

MCIT

Incurred for the Period Ended	Balance as at Beginning of Year	Applied	Balances as at the End of the Year	Available Until
September 30, 2013	₱ 1,172	₱1,157	₱15	September 30, 2016
September 30, 2014	184	–	184	September 30, 2017
	₱1,356	₱1,157	₱199	

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

	2014	2013 (As restated - see Note 3)	2012 (As restated - see Note 3)
Income tax expense (benefit) at statutory rate	**₱676,909**	(₱15,806)	(₱65,198)
Adjustments resulting from:			
Changes in unrecognized deferred tax assets	**1,270**	17,463	(5,416)
Expired MCIT	**–**	–	14
Expired NOLCO	**3,283**	–	–
Tax effects of:			
Gain on disposal of a subsidiary	**(610,811)**	–	–
Equity in net losses (earnings) of associates	**(59,078)**	(20,408)	(14,734)
Interest income already subjected to final tax and dividend income exempt from tax	**(80)**	(621)	(284)
Nondeductible interest expense	**63**	216	227
Deficiency taxes	**–**	13,177	25,501
Nontaxable gain on change in fair value of investment properties	**(4,815)**	–	–
Nondeductible loss on expropriation of land	**–**	–	57,249
Others	**2,234**	7,024	9,878
Income tax expense	**₱8,975**	₱1,045	₱7,237

The reconciliation between the income tax expense from discontinued operations (see Note 6) 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	**₱16,208**	₱220,596	₱165,521
Tax effects of:			
Equity in net earnings of an associate	**(2,502)**	(20,291)	(14,734)
Interest subjected to final tax and dividend income exempt from tax	**(13)**	(460)	(249)
Nondeductible deficiency taxes	**–**	13,208	25,501
Nondeductible unrealized gross profit on inventories	**–**	12,957	–
Nondeductible expenses	**–**	11,699	36,323
Nondeductible interest expense	**5**	167	191
Adjustments resulting from:			
Application of MCIT	**–**	20,571	–
Changes in unrecognized deferred tax assets	**–**	(6,890)	(367,896)
Expiration of excess MCIT	**–**	–	14
Others	**(1,487)**	(1,342)	8,037
Income tax expense (benefit)	**₱12,211**	₱250,215	(₱147,292)

28. **Earnings (Loss) Per Share**

Basic/diluted earnings (loss) per share are computed as follows:

	Note	2014	2013 (As restated - see Note 3)	2012 (As restated - see Note 3)
Net income (loss) attributable to the equity holders of the Parent Company:		**₱2,274,885**	₱265,283	₱234,693
Continuing operations		**2,233,018**	(214,792)	(453,376)
Discontinued operations	6	**41,866**	485,032	698,799
Weighted average number of shares issued and outstanding		**1,921,501**	2,911,886	2,911,886
Basic/diluted earnings (loss) per share:		**₱1.18**	₱0.09	₱0.08
Continuing operations		**1.16**	(0.08)	(0.16)
Discontinued operations		**0.02**	0.17	0.24

There are no potential dilutive common shares as at September 30, 2014 and 2013.

29. **Commitments and Contingencies**

Contingencies

Land Properties Subjected to the CARL. The Comprehensive Agrarian Reform Law (CARL) provides, among others, the redistribution of all private and agricultural lands regardless of tenurial arrangements and commodity produced, subject to certain terms and conditions.

Prior to the effectivity of the CARL, the Parent Company was the registered owner of around 2,900 hectares of land located in Nasugbu, Batangas. In 1993, the Department of Agrarian Reform (DAR) issued Notices of Coverage, and subsequently, Certificates of Land Ownership Awards (CLOAs) covering 2,676 hectares of the Parent Company's three *haciendas*, namely: Palico, Banilad and Carmen/Caylaway.

Sometime in 1993, the Parent Company filed a case questioning the DAR's acquisition proceedings and asking for the cancellation of the CLOAs. On December 17, 1999, the Supreme Court promulgated its Decision in GR No. 127876 nullifying the DAR acquisition proceedings over the three haciendas. The High Tribunal ruled that the Parent Company's right to due process was violated by the DAR. However, the Supreme Court did not nullify the CLOAs that were issued by the DAR despite its declaration that the acquisition proceedings were null and void.

In May 2000, the Parent Company filed with the DAR an application for the CARL exemption of its three haciendas in Nasugbu, Batangas. This exemption application was based on Presidential Proclamation (PP) No. 1520, which declared the entire municipality of Nasugbu as a Tourist Zone. The Parent Company likewise filed exemption applications for smaller areas based on the 1982 Zoning Ordinance of Nasugbu, Batangas.

In December 2009, the Supreme Court ruled that PP No. 1520 did not automatically reclassify the agricultural land in Nasugbu, Batangas to non-agricultural land. However, the Supreme Court noted that the Parent Company “can only look to the provisions of the Tourism Act and not to PP No. 1520, for possible exemption.”

Consequently, in April 2010, the Parent Company filed with the Tourism Infrastructure and Enterprise Zone Authority (TIEZA) an application to declare 14 specific geographical areas within the Parent Company landholdings as tourism zones. To date, this application has remained unacted upon.

In February 2012, the Supreme Court affirmed the exemption of the 21.1236-hectare property from the coverage of the Comprehensive Agrarian Reform Program (CARP).

In October 2012, the Parent Company disclosed that the DAR published the Notice of Coverage (NOC) on several RCI properties aggregating 2,514.76 hectares. The Parent Company filed a protest in the office of the DAR against the wrongful coverage (failure to observe the proper rules before publishing the said Notice of Coverage and the applicable law (RA No. 6657 vs. RA No. 9700). On June 17, 2014, the DAR issued a revised NOC covering RCI properties aggregating 2,300.60 hectares.

On October 16, 2013, the DAR ordered the denial of the Protest. On December 9, 2013, the Parent Company filed a Motion for Reconsideration (MR) with the DAR. On April 15, 2014, the DAR denied the MR of the Parent Company. On June 27, 2014, the Parent Company filed a Petition for Certiorari to the Court of Appeals (CA). As at the date of the report, the petition is still pending before the CA.

The Parent Company shall account for any legal and financial liabilities arising from the land properties subject to CARL upon the resolution of ownership by the Supreme Court.

In total, there are about 222 hectares of land that were declared by the courts or the DAR as exempt from the coverage of the CARL, including the 21 hectare property declared exempt by the Supreme Court in its Decision dated September 5, 2011 in GRN 169331.

On May 14, 2013, the BOD approved the authority of management to begin negotiations with the DAR for possible voluntary offer to sell (VOS) of 76 hectares in Hacienda Palico and 26 hectares in Hacienda Caylaway. The intention by management of whether to push through with the VOS is dependent on the outcome of the applications for exemption, exclusion or conversion of land covered by the CARP. As at the date of the report, there is no agreement yet with the DAR on the properties approved for VOS.

On December 13, 2013, the BOD of the Parent Company approved management’s request for reconfirmation of management’s plan to explore the government’s VOS program using 76 hectares in Hacienda Palico and 26 hectares in Hacienda Caylaway under certain conditions. This supersedes all previous proposals relating to the government’s VOS program.

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 a provision for losses in 2014 and 2013.

Outstanding provision for losses for disputed claims and assessments amounted to ₱48.4 million as at September 30, 2013 presented under “Trade and other payables” account (see Note 17).

Joint Operations

On December 2, 2009, RLC entered into a joint arrangement with VJ Properties, Inc. (VJPI) for the development of Anya Resorts and Residences in Tagaytay, Cavite. RLC agreed to contribute the business and conceptual development plan, land development costs and management expertise and manpower for the full and effective implementation of the development plan. In addition, RLC also advanced ₱10.0 million to VJPI as an indication of its commitment to the project. In return for their respective contributions, the parties agreed to distribute and allocate between them the developed saleable lots and villas.

Total costs incurred for the project as at September 30, 2014 amounted to ₱101.4 million and are presented as part of “Raw land and land improvements” under “Real estate for sale and development” account in the consolidated statements of financial position (see Note 9).

Lease-back Guarantee

In 2014, RLC entered into a lease-back guarantee with eight buyers of Anya Resort Suites. The said buyers will be entitled to a guaranteed lease along with the usage allowance for the first five years, equivalent to a 37% of the purchase price, inclusive of fixtures, furniture and equipment and VAT. The guaranteed funds will be distributed each quarter reckoned from the date of full opening of operations of the Resort.

As at September 30, 2014, the provision for lease-back guarantee amounted to ₱1.1 million.

Lease Commitments

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 ₱4.0 million in 2013 (₱4.0 million in 2012).

On December 20, 2013, the Group leased a portion of its investment property to a third party, which runs for a period of three cropyears and is renewable for another three cropyears. Rent income recognized amounted to ₱0.9 million in 2014 (see Note 14).

Unused Credit Lines

As at September 30, 2014 and 2013, the Group has unused lines of credit with local banks amounting to ₱678.64 million and ₱2,922.5 million, respectively (see Notes 15 and 16).

30. **Financial Instruments**

Risk Management, Objectives and Polices

The Group’s principal financial instruments comprise of cash in banks and cash equivalents, receivables and 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, interest rate risk and foreign currency risk. The Group monitors the market price risk arising from all financial instruments. The Group is also exposed to commodity price risk. 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 (see Notes 15 and 16).

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 as at September 30, 2014 and 2013:

	2014					
	On demand	**Less than One Year**	**One to Two Years**	**Two to Four Years**	**Over Five Years**	**Total**
Short-term borrowings*	**₱93,150**	**₱–**	**₱–**	**₱–**	**₱–**	**₱93,150**
Accounts payable and accrued expenses**	**107,814**	**12,898**	**–**	**–**	**–**	**120,712**
Due to related parties	**54,479**	**–**	**–**	**–**	**–**	**54,479**
Dividends payable	**5,298**	**–**	**–**	**–**	**–**	**5,298**
Long-term borrowings	**–**	**36,330**	**172,918**	**74,708**	**–**	**283,956**
	₱260,741	**₱49,228**	**₱172,918**	**₱74,708**	**₱–**	**₱557,595**
Cash in bank and short-term placements	**₱139,535**	**₱–**	**₱–**	**₱–**	**₱–**	**₱139,535**
Trade receivables***	**26,377**	**99,671**	**8,317**	**3,269**	**2,787**	**140,421**
Due from related parties	**10,946**	**50,300**	**–**	**–**	**–**	**61,246**
Due from employees****	**124**	**929**	**172**	**–**	**–**	**1,225**
Other receivables	**9,427**	**–**	**–**	**–**	**–**	**9,427**
	₱186,409	**₱150,900**	**₱8,489**	**₱3,269**	**₱2,787**	**₱351,854**

* *Includes expected interest payments for short-term and long-term borrowings amounting to ₱0.8 million and ₱25.0 million, respectively.*
** *Excludes payable to government agencies amounting to ₱1.0 million.*
*** *Includes noncurrent portion of installment contract receivables amounting to ₱2.4 million.*

	2013					
	On demand	Less than One Year	One to Two Years	Two to Four Years	Over Five Years	Total
Short-term borrowings*	₱114,161	₱909,466	₱–	₱–	₱–	₱1,023,627
Accounts payable and accrued expenses**	539,195	6,444	–	–	–	545,639
Due to related parties	59,465	–	–	–	–	59,465
Dividends payable	4,444	–	–	–	–	4,444
Current portion of long-term borrowings	201,777	–	–	–	–	201,777
Long-term borrowings, net of current portion*	–	1,831	653,639	5,166,811	–	5,822,281
	₱919,042	₱917,741	₱653,639	₱5,166,811	₱–	₱7,657,233

	2013					
	On demand	Less than One Year	One to Two Years	Two to Four Years	Over Five Years	Total
Cash in bank and short-term placements	₱162,941	₱–	₱–	₱–	₱–	₱162,941
Trade receivables***	211,399	965,155	80,540	8,537	4,269	1,269,900
Due from related parties	29,999	137,861	–	–	–	167,860
Due from employees****	6,759	50,740	9,404	–	–	66,903
Other receivables	174,833	662	–	–	–	175,495
AFS financial asset	8,223	–	–	–	–	8,223
	₱594,154	₱1,154,418	₱89,944	₱8,537	₱4,269	₱1,851,322

* *Includes expected interest payments for short-term and long-term borrowings amounting to ₱3.1 million and ₱1,189.5 million, respectively.*

** *Excludes payable to government agencies amounting to ₱130.6 million.*

*** *Includes noncurrent portion of installment contract receivables amounting to ₱11.9 million.*

**** *Net of related allowances for impairment losses amounting to ₱14.9 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. There is no concentration of credit risk with respect to receivables relating to real estate sales.

Credit risks for contract receivables is mitigated as the Group has the right to cancel the sales contract without risk for any court action and can take possession of the subject property in case of refusal by the buyer to pay on time the contracts receivables due. This risk is further mitigated because of the corresponding title to the party sold under this arrangement is transferred to the buyers only upon full payment of the contract price. The financial effect of this arrangement is equivalent to the total contracts receivables which amounts to ₱71.4 million as at September 30, 2013.

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 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	**₱139,535**	₱197,309
Trade receivables*	**132,648**	1,294,314
Due from related parties*	**48,760**	68,014
Due from employees*	**1,225**	34,511
Dividend receivable	**4,624**	19,484
Other receivables*	**9,272**	178
AFS financial assets*	–	8,223
	₱336,064	₱1,678,304

** Net of allowance for impairment losses totaling ₱14.1 million and ₱95.5 million in 2014 and 2013, 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.

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 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 and an aging analysis of past due but not impaired accounts:

	2014						
	Neither past due nor impaired			**Past due but not impaired**		**Impaired**	
	High Grade	**Standard Grade**	**Substandard Grade**	**Over 30 Days**	**Over 90 Days**	**Financial Assets**	**Total**
Cash in banks and cash equivalents	**₱138,317**	**₱ 1,218**	**₱–**	**₱–**	**₱–**	**₱–**	**₱139,535**
Trade receivables	**97,498**	**8,122**	**–**	**18,710**	**8,318**	**762**	**133,410**
Due from related parties	**48,760**	**–**	**–**	**–**	**–**	**12,486**	**61,246**
Due from employees	**980**	**245**	**–**	**–**	**–**	**–**	**1,225**
Dividend receivables	**4,624**	**–**	**–**	**–**	**–**	**–**	**4,624**
Other receivables	**7,536**	**1,604**	**–**	**37**	**95**	**155**	**9,427**
AFS financial assets	**–**	**–**	**–**	**–**	**–**	**688**	**688**
	₱297,715	**₱11,189**	**₱–**	**₱18,747**	**₱8,413**	**₱14,091**	**₱350,155**

	2013						
	Neither past due nor impaired			Past due but not impaired		Impaired	
	High Grade	Standard Grade	Substandard Grade	Over 30 Days	Over 90 Days	Financial Assets	Total
Cash in banks and cash equivalents	₱195,587	₱1,722	₱–	₱–	₱–	₱–	₱197,309
Trade receivables	971,977	74,479	–	171,577	76,281	52,925	1,281,828
Due from related parties	83,610	–	–	–	–	15,596	83,610
Due from employees	27,608	6,903	–	–	–	1,342	35,853
Dividend receivables	19,484	–	–	–	–	–	19,484
Other receivables	178	–	–	–	–	11,517	11,695
AFS financial assets	–	–	8,223	–	–	–	8,223
	₱1,344,989	₱83,104	₱8,223	₱171,577	₱76,281	₱81,380	₱1,638,002

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 collectability.

The Group has recognized an impairment loss on its financial assets using specific assessment amounting to ₱0.7 million and ₱6.2 million in 2014 and 2013, respectively (see Note 8).

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. Interest rate risk is the risk that the fair value or future cash flows on a financial instrument will fluctuate because of changes in market interest rates.

The Group has interest-bearing loans which bear floating interest rate 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**
0.5%	(₱11,239)	**(₱34,723)**
(0.5%)	11,239	**34,723**

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 15 and 16).

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 balance sheets as its capital. The Group monitors its use of capital using leverage ratios, specifically, DSCR and 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	**₱539,561**	₱10,200,504
Total equity	**6,932,963**	10,040,294
Total liabilities and equity	**₱7,472,524**	₱20,240,798
Debt-to-equity ratio	**0.08:1.0**	1.02:1.0

Fair Values

The following is a comparison by category of the carrying amount and fair values of the Group's financial instruments that are reflected in the consolidated financial statements as of:

	2014		2013	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Cash on hand	**₱256**	**₱256**	₱1,317	₱1,317
Loans and receivables:				
Cash in banks and short-term placements	**139,535**	**139,535**	197,309	197,309
Trade receivables	**132,648**	**132,648**	1,294,314	1,294,314
Due from related parties	**48,760**	**48,760**	68,014	68,014
Due from employees	**1,225**	**1,225**	34,511	34,511
Dividend receivable	**4,624**	**4,624**	19,484	19,484
Other receivables	**9,272**	**9,272**	178	178
AFS financial assets	**–**	**–**	8,223	8,223
	₱336,320	**₱336,320**	₱1,623,350	₱1,623,350

	2014		2013	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Liabilities				
Other financial liabilities:				
Short-term borrowings	**₱9,386**	**₱9,386**	₱1,064,027	₱1,064,027
Accounts payable and accrued expenses	**131,102**	**131,102**	580,678	580,678
Due to related parties	**44,089**	**44,089**	59,465	59,465
Dividends payable	**5,298**	**5,298**	4,444	4,444
Long-term borrowings	**150,000**	**150,000**	7,369,617	7,369,617
	₱339,875	**₱339,875**	₱9,078,231	₱9,078,231

The following methods and assumptions are used to estimate the fair value of each class of financial instruments.

Cash in banks and short-term placements, receivables, short-term borrowings, current portion of long-term borrowings, accounts payable and accrued expenses, dividends payable and due to related parties. The carrying amounts of these instruments approximate their 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 3 in which the inputs are based on the discounted interest rate of the prevailing comparable instrument in the market.

The Group's financial instruments recorded at fair value have the following hierarchy levels:

- Level 1 - at quoted prices in active markets;
- Level 2 - at inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - at inputs that are not based on observable market data.

The Group has no financial instruments carried at fair value in the consolidated financial statements as at September 30, 2014 and 2013.

31. **Segment Reporting**

Following the deconsolidation of RHI (see Note 6), the segment information for 2013 has been restated to conform to these changes. The Group's identified operating segments, which are consistent with the segments reported to the BOD, are as follows:

a. Real Estate

RLC is the real estate arm of the Group. RLC acquires, develops, improves, subdivides, leases and sells agricultural, industrial, commercial, residential and other real properties. The Group, through RLC, has subsidiaries, namely: FHPMC, RVHC, FDC, FLC, CPFI and RADC.

b. Others

Other segments of the Group include the Parent Company, which owns various tracts of lands in Nasugbu, Batangas and UVC, a leasing company.

The Group has only one geographical segment as all of its assets are located in the Philippines. The Group operates and derives principally all of its revenue from domestic operations. Thus, geographical business information is not required.

The Parent Company's BOD 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 statements of income.

Financing costs (including interest expense) and income taxes are managed on a 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.

a. Segment revenue and expenses

The Group's main revenue stream comes from the real estate. The real estate segment's customers are mainly direct.

b. Segment assets and liabilities

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, real estate for sale and development, prepayments and property 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			
	Real Estate	Others	Eliminations and Adjustments	Consolidated Balances
Revenue				
External customers:				
Real estate	₱199,809	₱–	₱–	₱199,809
Others	13,354	85,653	(81,257)	17,750
	213,163	85,653	(81,257)	217,559
Costs and Expenses	(183,903)	(29,607)	107,932	(105,578)
Interest income	4,867	4,545	(141)	9,271
Interest expense	(4,388)	(11,225)	141	(15,472)
Others	3,277	1,317,968	832,224	1,953,660
Income before income tax	33,016	1,367,334	659,090	2,059,440
Income tax expense	8,267	708	–	8,975
Segment Income	24,749	1,366,626	659,090	2,050,465
Equity in net earnings of associates and a joint venture	–	16,050	180,875	196,926
Consolidated Net Income	₱24,749	₱1,382,674	₱839,965	₱2,247,390
Other Information				
Major costs and expenses -				
Depreciation and amortization	₱1,494	₱871	₱–	₱2,365
Additions to noncurrent assets:				
Property, plant and equipment	2,502	236	–	2,738
Investments in associates and a joint venture	155,000	1,709,495	302,883	2,167,378
Assets and Liabilities				
Current assets	718,307	148,646	(22,000)	844,953
Noncurrent assets	302,365	5,927,201	398,006	6,627,572
Total Assets	₱1,020,672	₱6,075,847	₱376,006	₱7,472,525
Current liabilities	₱543,791	₱35,542	(₱282,975)	₱296,358
Noncurrent liabilities	5,612	128,617	108,975	243,204
Total Liabilities	₱549,403	₱164,159	(₱174,000)	₱539,562

	2013 (As restated)			
	Real Estate	Others	Eliminations and Adjustments	Consolidated Balances
Revenue				
External customers:				
Real estate	₱83,161	₱–	₱–	₱83,161
Others	24,203	91,355	(90,961)	24,597
	107,364	91,355	(88,948)	107,758

(Forward)

	2013 (As restated)			
	Real Estate	Others	Eliminations and Adjustments	Consolidated Balances
Costs and Expenses	(₱121,641)	(₱27,968)	₱26,066	(₱123,543)
Interest income	5,300	168	23	5,491
Interest expense	(4,916)	(20,840)	–	(25,756)
Others	93,157	417	(4,445)	89,129
Income (loss) before income tax	79,264	43,131	(69,317)	53,079
Income tax expense (benefit)	61	307	(1,414)	(1,046)
Segment Income (Loss)	79,203	42,824	(67,903)	54,124
Equity in net earnings of associates	–	–	(392)	(392)
Consolidated Net Income (Loss)	₱79,203	₱42,824	(₱68,295)	₱53,732
Other Information				
Major costs and expenses -				
Depreciation and amortization	₱1,816	₱548	₱–	₱2,364
Additions to noncurrent assets:				
Property, plant and equipment	567	90	–	657
Investments in associates	–	–	–	–
Assets and Liabilities				
Current assets	544,389	49,452	(18,794)	575,047
Noncurrent assets	207,046	6,669,561	(2,332,086)	4,544,521
Total Assets	₱751,435	₱6,719,013	(₱2,350,880)	₱5,119,568
Current liabilities	₱138,316	₱66,735	(₱42,503)	₱162,548
Noncurrent liabilities	157,277	401,193	(80,862)	477,608
Total Liabilities	₱295,593	₱467,928	(₱123,365)	₱640,156

32. **Events After Reporting Year**

On December 12, 2014, the BOD of the Parent Company approved the declaration and payment of cash dividend of ₱0.02 a share to all stockholders of record as at January 15, 2015. The cash dividend is payable on January 30, 2015.

On December 5, 2014, the BOD of RHI 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.

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ROXACO
LAND CORPORATION

RHi
ROXAS HOLDINGS, INC.
A BIO-SUGAR AND BIO-ENERGY GROUP

A N N E X "C"

RCI Audit Committee Charter

ROXAS AND COMPANY, INC.
AUDIT COMMITTEE CHARTER

I. Introduction and Purpose

The Audit Committee shall represent and assist the Board of Directors in fulfilling its oversight responsibilities to the shareholders for

- the integrity of the company's financial statements and financial controls
- the company's compliance with legal and regulatory requirements,
- the independent auditor's qualifications and independence, and
- the performance of the company's internal audit function and the independent auditors.

The Committee will act independently while maintaining free and open communication between the Committee, independent auditors, internal auditors and management of the Company.

II. Organization

The Audit Committee shall be appointed by the Board and shall consist of at least three (3) directors, who shall preferably have accounting and finance backgrounds, one of whom shall be an independent director and another with audit experience. The chair of the Audit Committee should be an independent director.

Audit Committee members and the Committee chairman shall be designated by a majority vote of the full Board of Directors upon recommendation of the Nominating and Governance Committee. The Board shall elect the Chairman of the Committee. The Chairman of the Committee shall periodically report to the Board regarding the activities of the Committee.

III. Authority and Responsibilities

The committee shall have the following functions:

a) Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations;

b) Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal, and other risks of the corporation. This function shall include regular receipt from Management of information on risk exposures and risk management activities;

c) Perform oversight functions over the company's internal and external auditors. It should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;

d) Review the annual internal audit plan to ensure its conformity with the objectives of the corporation. The plan shall include the audit scope, resources and budget necessary to implement it;

e) Prior to the commencement of the audit, discuss with the external auditor the nature, scope and budget for the audit and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;

f) Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal; Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report to the Audit Committee.

   The Audit Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties.

g) Monitor and evaluate the adequacy and effectiveness of the Company's internal control system, including financial reporting control and information technology security;

h) Review the reports and recommendations submitted by the internal and external auditors and the management's responses.

i) Review the quarterly, half-year and annual financial statements before their submission to the Board.

j) Coordinate, monitor and facilitate compliance with laws, rules and regulations.

k) Investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Company.

Outside Advisors

The Committee shall have the authority to retain such outside counsel, accountants, experts and other advisors as it deems appropriate to assist in the performance of its functions. The Committee shall be provided with appropriate funding, as determined by the committee, for payment of compensation to such outside counsel, accountants, experts and other advisors.

Meetings

The Committee shall meet at least four times annually or as often as may be deemed necessary or appropriate in its judgment, and as such times and places as the Committee shall determine.

The majority of the members of the Committee shall constitute a quorum. The Committee will meet separately with the internal auditors, the independent auditors, the general counsel and other senior management to discuss any matters they wish to bring to the Committee's attention or that the Committee wishes to bring to their attention.

The Committee shall report to the Board with respect to its meetings, including any significant issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Company's independent auditors, or the performance of the internal audit function.

Assessment of Performance

The Committee shall report to the Board an annual review its own performance or in such shorter intervals as may be set by the Board. The results of the said assessment shall be validated by the Compliance Officer or its Governance Committee as may be applicable. .The assessment process and results shall form part of the Company's records.

The Committee shall annually reassess the adequacy of its Charter and recommend any proposed changes to the Board for approval

XXX

Roxas & Company, Inc.

A N N E X "D"

RCI Amended By-Laws

REPUBLIC OF THE PHILIPPINES
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills
City of Mandaluyong, Metro Manila

Company Reg. No. 834

CERTIFICATE OF FILING
OF
AMENDED BY-LAWS

KNOW ALL MEN BY THESE PRESENTS:

This is to certify that the Amended By-Laws of

ROXAS AND COMPANY, INC.

copy annexed, adopted on February 10, 2011 by the Board of Directors pursuant to the authority duly delegated to it by the stockholders owning at least two-thirds of the outstanding capital stocks on April 22, 1996, certified by a majority of the Board of Directors and countersigned by the Secretary of the Corporation, was approved by the Commission on this date, pursuant to the provisions of Section 48 of the Corporation Code of the Philippines, Batas Pambansa Blg. 68, approved on May 1, 1980 and attached to the other papers pertaining to said corporation.

IN WITNESS WHEREOF, I have set my hand and caused the seal of this Commission to be affixed to this Certificate at Mandaluyong City, Metro Manila, Philippines, this 30th the day of March, Twenty Eleven.

BENITO A. CATARAN
Director
Company Registration and Monitoring Department

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ROXAS AND COMPANY, INC.
(FORMERLY CADP GROUP
CORPORATION)

(Company's Full Name)

7TH FLOOR CG BUILDING
101 AGUIRRE STREET LEGASPI
VILLAGE MAKATI CITY

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

ATTY. FRITZIE P. TANGKIA-FABRICANTE

810-8901

June 30
Month *Day*
Fiscal Year

AMENDMENT OF BY-LAWS
Form Type

Month *Day*
Annual Meeting

Secondary License Type, If Applicable

Department Requiring this Document

Amended Articles Number/Section

Total Amount of Borrowings

3,553
Total No. of Stockholders

Domestic Foreign

TO BE ACCOMPLISHED BY SEC PERSONNEL CONCERNED

File Number

Document I.D.

LCU 3/7/11

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

AMENDED BY-LAWS OF

ROXAS AND COMPANY, INC.
(formerly, CADP Group Corporation)

ARTICLE I
SHARES OF STOCKS

Section 1. Stock Certificates. – Certificates of shares of stock of the Corporation shall be in such forms as may be determined by the Board of Directors. Each holder of fully paid stock shall be entitled to a certificate or certificates of stock stating the number of shares owned by such stockholder and the designation of class in which issued. All certificates of stock shall bear the signature or facsimile signature of the President and shall be countersigned or facsimile signature of the Secretary or the Assistant Secretary and sealed with the corporate seal.

Section 2. Stock Transfers. – Transfer of stock shall be effected upon endorsement and surrender of the stock certificates; however, it will not be in effect nor binding on the Corporation until it is duly registered in the stock transfer book, new stock certificates issued, and the old ones cancelled.

Section 3. Closing of Transfer Books; Fixing the Record Date. – For the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or shareholders entitled to receive payment of any dividend, or in order to make a determination of shareholders for any other purpose, the Board of Directors of the Corporation may provide that the stock transfer books may be closed for a stated period. In lieu of closing the transfer books, the Board of Directors may fix in advance a date as the record date for any such determination of stockholders. If the stock transfer books are not closed and no record date is fixed for the determination of shareholders entitled to notice of, or to vote at, a meeting of shareholders, or shareholders entitled to receive payment of dividend, the date on which of the meeting is made or the date on which the resolution of the Board of Directors declaring such dividend is adopted, as the case may be, shall be the record date for such determination of shareholders. When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided in this Article, such determination shall apply to any adjournment thereof.

Section 4. Indivisibility. – Whenever payment of stock dividends is effected, the fractions, if any, shall be paid in cash.

Section 5. Treasury Shares. – The shares, which after being issued are acquired by the Corporation and become treasury shares, shall be at the disposal of the Board, but will not have any vote or participation in the dividends.

Section 6. Future Issuance. – The unissued shares of stock of the Corporation shall be offered for sale on conditions and price (not less than its par value) as may be determined by the Board of Directors. The stockholders of the Corporation shall have no pre-emptive right to subscribe to all issue or disposition of shares of stock of the Corporation of any class, unless the Board of Directors decides otherwise for the best interest of the Corporation and its stockholders.

Section 7. Lost Certificates. – Lost stock certificates shall be replaced in accordance with Section 73 of the Corporation Code.

ARTICLE II
STOCKHOLDERS' MEETING

Section 1. Regular and Special. – The meetings of the stockholders shall be regular and special, and shall be held at the main office of the Corporation in Makati City, Philippines, or in any other place as may be allowed by law, as designated by the Board of Directors. The regular meeting shall be held on the **fourth Wednesday of February** of each year, for the purpose of electing directors and for the transaction of such business as may properly come before the meeting. If the day fixed for the regular meeting falls on a legal holiday, such meeting shall be held at the same time on the first working day following the said date. The Board of Directors may, for good cause, postpone the regular meeting to a reasonable date. (As amended by the Board of Directors, pursuant to its delegated authority, in its regular meeting held on 10 February 2011.)

Special meetings shall be called by the Chairman, the Chief Executive Officer, or in his absence, by the President. They may also be called by the majority of the Board of Directors.

Section 2. Notices. – The regular meeting of stockholders may be held without prior notice. Notices for special meetings of stockholders may be sent by the Secretary by personal delivery or by mailing the notice at least ten (10) days prior to the date of the meeting. The notice shall state the place, date and the hour of the meeting, and the purpose or purposes of which the meeting is called.

Only matters stated in the notice can be subject of motions or discussions at the meeting. Notice of special meetings may be waived in writing by the shareholder, in person or by proxy, before or after the meeting.

When the meeting of stockholders is adjourned to another time or place, it shall not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken. At the reconvened meeting, any business may be transacted that might have been transacted on the original date of the meeting.

Section 3. Quorum. – In all regular or special stockholders' meetings, the presence of the shareholders who represent a majority of the capital stock entitled to vote shall constitute a quorum and all the decisions made by the majority shall be final, unless pertaining to resolutions for which the laws require a greater number.

Section 4. Proxies. – The stockholders may delegate in writing their right to vote and, unless otherwise expressed, such delegation or proxy shall be valid only for the meeting at which it has been presented to the Secretary. All proxies must be in the hands of the Secretary of the Corporation not later than five (5) working days before the time set for the meeting.

ARTICLE III
BOARD OF DIRECTORS

Section 1. Management of the Corporation. – All businesses and properties of the Corporation shall be handled and managed by the Board of Directors, compose of nine (9) members. If the office of any Director becomes or is vacant by reason of death, resignation, failure to qualify, disqualification, or otherwise, except removal, the remaining Directors, if still constituting a quorum, may, by a majority vote, elect from the stockholders duly qualified a successor who shall serve office for the unexpired term or until his successor is duly elected and qualified.

Section 2. Qualifications and Disqualifications for Directors. – Any stockholder having at least one thousand (1,000) shares registered in his or her name may be nominated and/or elected as a Director of the Corporation; Provided that any stockholder who possesses any of the disqualifications enumerated in the Manual on Corporate Governance which was approved and adopted by the Board of Directors of the Corporation on 26 September 2002, including any amendments thereto, shall be disqualified from being elected as a Director of the Corporation. (As amended during the meeting of the Board of Directors on 26 September 2002 and ratified during the regular meeting of the stockholders on 20 November 2002.)

Section 3. Nominations for Directors. – In addition to the right of the Board of Directors of the Corporation to make nominations for the election of Directors, nominations for the election of Directors may be made by any shareholder entitled to vote for the election of Directors if that shareholders complies with all the provisions of this Article.

3.1 Nominations shall be received by the Chairman of the Board of Directors (which nominations may be sent to such Chairman in care of the Secretary of the Corporation), at least 15 working days prior to any meeting of the shareholders called for the election of Directors.

3.2 Each nomination under Section 3.1, shall set forth (i) the name, age, business address and, if known, residence of each nominee, (ii) the principal occupation or employment of each nominee, (iii) the number of shares of stock of the Corporation which are beneficially owned by such nominee, and (iv) the interests and positions held by each nominee in other corporations. In addition, the shareholder making such nomination shall promptly provide any other information reasonably requested by the Corporation.

3.3 The Board, by a majority vote unless a greater majority is required under these By-Laws, may, in its discretion, determine and declare that a nomination was not made in accordance with the foregoing procedures, and/or that a nominee is disqualified for election as Director under these By-Laws and if the Board should so determine, the defective nomination and the nomination of a disqualified person shall be disregarded.

Section 4. Board of Directors' Meetings. - The regular meetings shall take place quarterly in the main office of the Corporation in Makati City, Philippines or in any other place set by the Board for such.

The special meetings shall take place by the order of the Chief Executive Officer, of the President, or if requested by majority of the Directors, with notification one day before if convenient, and shall be held at the main office of the Corporation or at the place designated in the notice. These meetings can take place without previous notice, at any place, date and time, by unanimous consent of the Directors present in the country, or even without this requisite, if all Directors are present.

Section 5. Quorum. - Unless the law requires a greater number, the majority of Directors in the Articles of Incorporation shall constitute a quorum to finalize corporate decisions, and any decision made and approved by the majority of the Directors present in the meeting where a quorum exists shall be valid.

Section 6. Powers of the Board. - Notwithstanding the general powers granted by the Corporation Code and other laws and in Article III Section 1 and all powers granted by this By-Laws, it is hereby expressly declared that the Board of Directors present in the meeting shall have the following powers:

6.1 To purchase or otherwise in any lawful manner, for and in the name of the Corporation, any and all properties, rights, interest or privileges whatsoever deemed necessary or convenient for the Corporation's business, at such price and subject to such terms and conditions as it may deem proper or convenient.

6.2 To invest the funds of the Corporation in another corporation, business or for any purpose other than those for which it was organized, whenever in its judgment, its interest would thereby be promoted, subject to such stockholder approval or authorization as may be necessary under the law.

6.3 To sell, lease, exchange, assign, transfer or otherwise dispose of any property, real or personal, belonging to the Corporation whenever in its judgment, its interest would thereby be promoted.

6.4 To incur indebtedness as it may deem necessary, subject to such stockholder approval or authorization as may be required by law and, for such purpose, to make and issue evidence of such indebtedness including without limitation, notes, deed of trust, instruments or securities and/or mortgage or otherwise encumber all or part of the properties and rights of the Corporation.

6.5 Upon the recommendation of the Chief Executive Officer and the President and in accordance with the applicable provisions of the By-Laws, to determine and prescribe the qualifications, duties, term of office, compensation, remuneration, incentives and other benefits of officers. Pursuant thereto, to appoint or elect or enter into contracts with such officers, under such terms and conditions as the Board may determine to be in the best interest of the Corporation.

6.6 Upon recommendation of the Chief Executive Officer and the President, to create other offices it may deem necessary and determine how such offices be filled.

6.7 To determine whether or not the stockholders shall have preemptive right to subscribe to new issue of shares of the Corporation. With regard to shares issued in total or partial payment of debts contracted by the Corporation, for whatsoever properties it may have acquired or in payment of services rendered to the Corporation, to impose such conditions regarding the transfer of said shares as it may deem convenient, subject, however, to the limitation fixed by law.

6.8 To prosecute, maintain, defend, compromise or abandon any lawsuit in which the Corporation or its officers are either plaintiffs or defendants in connection, and to settle all claims for or against the Corporation on such terms and conditions as it may deem fit.

6.9 To determine whatever any, and if any, what part of the surplus profits of the Corporation arising from its business or retained earnings available for declaration as dividends, shall be declared as dividends, subject to the provisions of law.

6.10 To create, by resolution passed by a majority of all members of the Board, one or more standing or special committees of Directors, with such powers and duties as may be specified in the enabling resolution.

6.11 To appoint any corporation, association, partnership or entity duly organized and registered in accordance with the laws of the Republic of the Philippines, as general managers or management consultants or technical consultants, under such terms and conditions and for such compensation as the Board may determine.

6.12 To guarantee, for and on behalf of the Corporation, obligations of other corporations in which it has lawful interest.

6.13 To appoint trustees who, for the benefit of the Corporation, may receive and retain such properties as may belong to the Corporation or in which it has interest and to execute such deeds and perform such acts as may be necessary to transfer the ownership of said properties to its trustees.

6.14 To enter into any transaction, obligation or contract and perform such acts and execute such deeds as it may deem essential for the proper administration of the

Corporation's property, business and affairs or the accomplishment of any of the purposes for which the Corporation was organized.

Section 7. Remuneration of the Board of Directors. – The members of the Board of Directors and the Executive Committee shall be given a per diem for every meeting attended in such amount as may be determined by the Board of Directors but in no case shall said remuneration exceed two percent (2%) of the net income of the Corporation before tax.

ARTICLE IV
EXECUTIVE COMMITTEE

Section 1. Executive Committee. - The Executive Committee shall be composed of three (3) Directors to be elected by the Board. The Executive Committee shall have the functions that the Board will delegate.

Section 2. Validity of Decisions. - The decision of the Executive Committee should be approved by the majority of the members and shall have the same power and effect as the decisions made by the Board of Directors, as long as it does not exceed the powers bestowed on it. The Board of Directors shall be informed in its next meeting of the decisions made by the Executive Committee.

Section 3. Format for Decisions. - All decisions made by the Executive Committee shall be placed in writing and signed by the members present.

ARTICLE V
OFFICERS OF THE CORPORATION

Section 1. Officers of the Corporation. - The Officers of the Corporation shall be composed of the Chairman of the Board of Directors, the Vice-Chairman of the Board of Directors, the President, the Executive Vice-President(s), the other Vice-President(s), the Treasurer, the Assistant Treasurer(s), the Secretary and the Assistant Secretary(ies). Any two or more offices may be held by the same person except for the offices of the Chairman and Treasurer or Secretary, or President and Treasurer or Secretary.

The Directors elected in the regular stockholders' meeting shall immediately or within a reasonable time thereafter, hold a meeting wherein they shall elect by a vote of a majority of all members of the Board, the Chairman, Vice-Chairman, the Chief Executive Officer and the President. At said meeting, the Board shall likewise elect, appoint or reappoint, subject to the terms of such contracts as may have been entered into by the Board of Directors with the officer concerned, the Treasurer, the Secretary, the Executive Vice-President(s), the other Vice-President(s) and all other officers, all of whom need not be Directors of the Corporation.

In electing, appointing or entering into contracts with the officers, the Board shall seek to establish, maintain, promote and foster the continuous development of a competent, professional, loyal and honest officer corps, for the efficient, stable and proper transaction of the business and affairs of the Corporation.

Section 2. The Chairman of the Board of Directors. - The Chairman shall preside at meetings of the Board of Directors and of the stockholders. He shall exercise powers and perform such duties and functions as the Board of Directors may, from time to time, assign.

Section 3. The Vice-Chairman of the Board of Directors. - The Vice-Chairman shall preside at meetings of the Board of Directors and of the stockholders in the absence of the Chairman. He shall exercise such powers and perform such duties and functions as the Board of Directors or the Chairman may, from time to time, assign.

Section 4. The Chief Executive Officer. - He shall be responsible for the general supervision, administration and management of the business of the Corporation and shall have the following powers and duties:

4.1 To establish general administrative and operating policies.

4.2 To initiate and develop programs for management training and development, as well as executive compensation plans.

4.3 Unless otherwise determined by the Board of Directors, to attend and act and vote in person or by proxy, for and on behalf of the Corporation, at any meeting of shareholders of any corporation in which the Corporation may hold stock, and at any such meeting, to exercise any and all rights and powers incident to the ownership of stock which the owner thereof might possess or exercise if present.

4.4 To exercise such powers and perform such other duties and functions as the Board of Directors may, from time to time, assign.

The Chief Executive Officer may assign the exercise or performance of his powers, duties and functions to any other officer(s), subject to his supervision and control.

Section 5. The President. - The President shall have supervision and direction of day-to-day business affairs of the Corporation. He shall have the following specific powers and duties:

5.1 To recommend specific projects for the accomplishment of corporate objectives and policies for the approval of the Board of Directors.

5.2 To implement the program for management training and development.

5.3 To ensure that administrative and operating policies are carried out.

5.4 To appoint, remove, suspend any and all employees and subordinate personnel of the Corporation, prescribe their duties, determine their salaries and, when necessary, require bonds in such amounts as he may determine, to secure the faithful discharge by said employees of their official trust.

5.5 To prepare such statements and reports as may be required from time to time by law.

5.6 To preside at meetings of the Directors and stockholders in the absence of the Chairman and Vice-Chairman.

5.7 To exercise such powers and perform such duties and functions as may be assigned to him by the Board of Directors.

The President may assign the exercise or performance of any of the foregoing powers, duties and functions to any other officer(s).

Section 6. The Executive Vice-President(s) and other Vice-President(s). - The Executive Vice-President(s) and other Vice-President(s), shall exercise such powers and perform such duties and functions as the Chief Executive Officer or the President may, from time to time, assign them. They shall also perform such other duties as may be required by the Board of Directors.

Section 7. The Treasurer. - The Treasurer shall have the following powers and duties:

7.1 To keep full and accurate accounts of receipts and disbursement in books belonging to the Corporation.

7.2 To have custody of, and be responsible for, all the funds, securities and bonds of the Corporation.

7.3 To deposit in the name and to the credit of the Corporation, in such bank or banks as may be designated from time to time by the Board of Directors, all the moneys, funds, securities, bonds and similar valuable effects belonging to the Corporation which may come under his control.

7.4 To render an annual statement showing the financial condition of the Corporation and such other financial reports as the Board of Directors, the Chief Executive Officer or the President may, from time to time, require.

7.5 To prepare such financial reports, statements, certifications and other documents which may, from time to time, be required by government rules and regulations and to submit the same to the proper government agencies.

The Treasurer shall also exercise such powers and perform such duties and functions as may be assigned to him by the Chief Executive Officer or the President. He may be required by the Board of Directors or the Chief Executive Officer to give bond with sufficient sureties for the faithful performance of his duties.

The Treasurer may assign the routine duties of his office to one or more employees of the Corporation with the approval of the Chief Executive Officer or the President. He may be required by the Board of Directors or the Chief Executive Officer to give bond with sufficient sureties for the faithful performance of his duties.

The Treasurer may designate, with the approval of the Chief Executive Officer or the President, the assistant Treasurer(s) to perform, at his request or in his absence or disability, all or any of his duties and functions. The Assistant Treasurer(s), when acting under such designation, may exercise all the powers of, and shall be subject to all the restrictions imposed upon, the Treasurer. The Assistant Treasurer(s) shall exercise such other powers and shall perform such other duties and functions as may, from time to time, be assigned to him (them) by the Chief Executive Officer or the President.

Section 8. The Secretary. - The Secretary, who must be a citizen and resident of the Philippines, shall have the following duties and functions:

8.1 To record the minutes of all meetings of the Board of Directors, the Executive Committee, the stockholders, and the special and standing committees of the Board, and to maintain separate minute books in the form and manner required by law at the principal office of the Corporation.

8.2 To give, or cause to be given, all notices required by law or by the By-Laws of the Corporation, as well as notices required of meetings of the Board of Directors and of the stockholders.

8.3 To keep records indicating the details required by law with respect to the certificates of stock of the Corporation, including ledgers and stock transfers and the date of each issuance and transfer.

8.4 To fill and countersign of all certificates of stock issued to make the corresponding annotations on the margins or stubs of such certificates upon their issuance.

8.5 To take note of all stock transfer and cancellations, and keep in alphabetical or numerical order all certificates of stocks so transferred as well as the names of stockholders, their addresses and the number of shares owned by each, keeping up to date all the addresses of the stockholders.

8.6 To prepare the various reports, statements, certifications and other documents which may from time to time be required by government rules and regulations, except those required to be made by the Treasurer, and to submit the same to proper government agencies.

8.7 To keep and affix the corporate seal to all paper and documents requiring seal, and to attest by his signature all corporate documents requiring the same.

8.8 To pass upon the form and the manner of voting of proxies, the acceptability and validity of their issuance and use, and to decide all contents and returns relating to the election of the members of the Board of Directors.

The Secretary shall perform such duties and functions as may, from time to time, be assigned to him by the Board of Directors, the Chief Executive Officer or the President.

The Secretary may designate, with the approval of the Chief Executive Officer or the President, the Assistant Secretary(ies) to perform at his request in his absence or disability, all or any of his duties and functions. The Assistant Secretary(ies) shall perform such other duties and functions as may from time to time, be assigned to him (them) by the Chief Executive Officer or the President.

Section 9. Term of Office. - Subject to the terms of such contracts as may have been entered into by the Board of Directors, the term of office of all officers shall be coterminous with that of the Board of Directors that elects or appoints them unless such officers are sooner terminated or removed for cause.

ARTICLE VI
FISCAL YEAR, DIVIDENDS, AUDIT OF BOOKS

Section 1. Fiscal Year. - The fiscal year of the Corporation shall commence on the **1st day of October of each year and end on the 30th day of September the following year**. (As amended by the Board of Directors, pursuant to its delegated authority, in its regular meeting held on 10 February 2011.)

Section 2. Dividends. - All dividends unclaimed or unpaid in the next five years after being declared shall accrue to the Corporation.

ARTICLE VII
MISCELLANEOUS PROVISIONS

Section 1. Corporate Seal. - The Corporation shall adopt for its corporate seal, a dry metal seal with two (2) concentric circles within which is engraved the name of the Corporation.

Section 2. Amendment of By-Laws. - These By-Laws can be amended or repealed by the affirmative vote of the stockholders who represent the majority of the outstanding capital stock, in any stockholders' meeting called for the purpose.

The Board is empowered, until otherwise decided in the stockholders' meeting, to amend the By-Laws as deemed beneficial to the Corporation.

The preceding By-Laws have been adopted and approved on the 15th day of December, 1995, in a Special Board Meeting and on the 22nd day of April 1996 in a Special Stockholders' Meeting held in Metro Manila, Philippines.

IN WITNESS WHEREOF, WE the undersigned present at said meeting have hereunto subscribed our named this 22nd day of April 1996.

CERTIFIED BY:

LORNA PATAJO-KAPUNAN
Corporate Secretary

ATTESTED BY:

(Sgd.)
PEDRO E. ROXAS
Chairman

ANTONIO J. ROXAS
Director

(Sgd.)
EDUARDO J. ROXAS
Director

(Sgd.)
MIGUEL A. GASPAR
Director

FRANCISCO R. ELIZALDE
Director

SANTIAGO R. ELIZALDE
Independent Director

MICHAEL ESCALER
Director

SANTIAGO URETA
Director

LORNA PATAJO-KAPUNAN
Director

DIRECTORS' CERTIFICATE OF AMENDMENT OF

THE BY-LAWS OF

ROXAS AND COMPANY, INC.

CRMD-CFD SEC 3-7-11 RECEIVED BY

KNOW ALL MEN BY THESE PRESENTS:

The undersigned, being at least a majority of the members of the Board of Directors, the Corporate Secretary and the Assistant Corporate Secretary of ROXAS AND COMPANY, INC., do certify that:

1) The attached Amended By-Laws of CADP GROUP CORPORATION[1], which embodies the following amendments, is true and correct:

"ARTICLE II
STOCKHOLDERS' MEETING

Section 1. Regular and Special. – The meetings of the stockholders shall be regular and special, and shall be held at the main office of the Corporation in Makati City, Philippines, or in any other place as may be allowed by law, as designated by the Board of Directors. The regular meeting shall be held on the **fourth Wednesday of February** of each year, for the purpose of electing directors and for the transaction of such business as may properly come before the meeting. If the day fixed for the regular meeting falls on a legal holiday, such meeting shall be held at the same time on the first working day following the said date. The Board of Directors may, for good cause, postpone the regular meeting to a reasonable date.

Special meetings shall be called by the Chairman, the Chief Executive Officer, or in his absence, by the President. They may also be called by the majority of the Board of Directors."

"ARTICLE VI
FISCAL YEAR, DIVIDENDS, AUDIT OF BOOKS

Section 1. Fiscal Year. – The fiscal year of the Corporation shall commence on the **1st day of October of each year and end on the 30th day of September the following year**."

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[1] Now Roxas and Company, Inc. Please see attached Certificate of Filing of the Articles and Plan of Merger issued by the Securities and Exchange Commission on 23 June 2009.

2) Pursuant to the power delegated by the shareholders/on April 22, 1996 the Board of Directors approved, by the affirmative vote of at least a majority of its members, the aforementioned amendments to the By-Laws of the Corporation during their regular meeting held on 10 February 2011 in Makati City, Metro Manila.

IN WITNESS WHEREOF, the undersigned have signed these presents on 7th ~~February~~ March 2011 in Makati City.

PEDRO E. ROXAS
Chairman of the Board/
President & CEO
TIN 104-738-165

ANTONIO J. ROXAS
Director
TIN 104-738-157

BEATRIZ O. ROXAS
Director
TIN 218-112-191

FRANCISCO JOSE R. ELIZALDE
Director
TIN 119-132-731

CARLOS ANTONIO R. ELIZALDE
Director
TIN 119-814-785

RENE C. VALENCIA
Director
TIN 118-457-420

RAMON Y. DIMACALI
Independent Director
TIN 129-455-806

GUILLERMO D. LUCHANGCO
Independent Director
TIN 114-542-307

PETER D.A. BAROT
Corporate Secretary
TIN 107-478-120

FRITZIE P. TANGKIA-FABRICANTE
Assistant Corporate Secretary
TIN 205-339-259

SUBSCRIBED AND SWORN to before me this MAR 07 2011, affiants exhibited to me the following:

Name	CTC No./Date and Place of Issue	Gov't Issued ID
Pedro E. Roxas	03240330/02-28-11/Makati City	SSS ID#03-4762446-6
Antonio J. Roxas	03240331/02-28-11/Makati City	SSS ID#03-0250433-0
Beatriz O Roxas	03241078/02-28-11/Makati City	Spanish Passport No. A0065223800 08-08-2002 to 08-08-2012
Francisco Jose R. Elizalde	05938865/01-07-11/Makati City	SSS ID#33-0661474-4
Carlos Antonio R. Elizalde	05938866/01-07-11/Makati City	SSS ID#33-1487243-9
Rene C. Valencia	17983321/02-01-11/Muntinlupa City	SSS ID#03-0747017-1
Ramon Y. Dimacali	00164974/01-20-11/Manila	Phil.Passport No. ZZ5393442 01-28-2010 to 01-27-2015
Guillermo D. Luchangco	06009817/03-01-11/Makati City	Phil.Passport No. ZZ225283 06-18-2007 to 06-18-2012
Peter D. A. Barot		Phil.Pasport No. XX2900132 01-30-2009 to 01-29-2014
Fritzie P. Tangkia-Fabricante	02740851/02-24-11/Makati City	Phil.Passport No. XX0850429 04-03-2008 to 04-04-2013

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Series of 2011.

JOSEPH P. GUEVARRA
Appointment No. M-100
Notary Public - Makati City
Until 31 December 2011
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101 Aguirre Street, Legaspi Village, Makati City
PTR No. 2092905 / 6 January 2010 / Makati City
IBP No. 802683 / 16 December 2009 / Makati City
Roll No. 52501

Roxas & Company, Inc.

A N N E X "E"

CADP Code of Business Conduct Policy

CADP
GROUP CORP.

Business Conduct Policy Handbook

CADP
GROUP CORP.

Dear Fellow Employee,

The Board of Directors of CADP Group Corporation has adopted a Business Conduct Policy to guide and remind us on the fundamental principles to which we all must adhere. It is my humble belief that only through our continuing efforts to abide by this policy will the good reputation of our Company be maintained.

The Business Conduct Policy, in addition to all existing rules and regulations, shall henceforth govern employee conduct in the workplace. Any violation of this Business Conduct Policy may result in termination of employment or other disciplinary action.

You are enjoined to read this Business Conduct Policy carefully in order to acquire knowledge and understand the Company's policies and to confirm that you have done so, you are requested to accomplish the attached certificate of confirmation. The signed certificate should be returned to your HR/Personnel Department immediately.

Any question/s regarding the meaning or application of any of the principles set forth in the Business Conduct Policy should be directed to your HR/Personnel Department for appropriate action.

Sincerely,

P. Roxas

PEDRO E. ROXAS
Chairman & CEO

BUSINESS CONDUCT POLICY

I. INTRODUCTION

The highest standard of individual conduct is expected at all times from each employee of CADP GROUP CORP. not only in matters of financial integrity but also in every aspect of business relationships.

Business should be conducted on the basis of fair dealing, consideration for the rights and feelings of others and the most stringent principles of good corporate citizenship.

Each employee is charged with the responsibility of acquiring sufficient knowledge of the laws relating to his or her particular duties in order to recognize potential dangers and to know when to seek legal advice. Unlawful conduct will not be condoned under any circumstances. Employees should consult with the in-house counsel if they have questions regarding compliance with certain laws, rules or regulations.

Employees are expected to comply with this Business Conduct Policy and all other policies and rules and regulations of the company. Any employee who knowingly violates this policy or knowingly allows a subordinate to do so shall be subject to disciplinary action, including demotion or termination.

The Business Conduct Policy addresses several areas of concern. It includes values, operating principles, conflicts of interest, disclosure of business or outside employment, use and protection of company assets, disclosure on accounting and auditing matters, insider trading, use of software, sexual harassment and political activities and contributions. In addition, the Company's Rules and Regulations governing employee conduct should be used as reference material on matters related thereto.

II. VALUES

The following fundamental beliefs determine conduct throughout the Company. They explain the reasons why our principles are important to us.

Integrity. The Company is expressly committed to integrity and high ethical standards of conduct in all its business transactions.

Entrepreneurship. The basis for the continuing success of the Company's business is good long-term profitability. An essential feature of this is a dynamic and innovative approach to business by the Company and all its employees.

Professionalism. The Company values professionalism and regards it as essential in ensuring the provision of the highest levels of customer satisfaction.

Responsiveness. The Company acknowledges the importance of being responsive to the needs of all those with whom it does business.

III. OPERATING PRINCIPLES

The Company operates within the framework of the following principles:

Personal Conduct. The Company expects the highest levels of personal conduct by all its employees. It is acknowledged that all effective business relationships inside as well as outside the Company depend upon honesty, integrity and fairness.

While it is recognized that limited corporate hospitality is given and received as part of building normal business relationships, employees should avoid accepting hospitality or gifts which might appear to place them under an obligation.

The Company expects all its employees to respect the rule of law and abide by appropriate regulations. They are likewise expected to avoid doing business with any individual, Company or institution if that business is connected with activities which are illegal or which could be regarded as unethical.

All employees are expected to handle information with care. The confidentiality of the Company's data should be safeguarded and proper and complete records must be made of all transactions on behalf of the Company.

Employee Relations. Relationships with employees are based on respect for the individual. The Company aims to provide all its employees with safe conditions of work and competitive terms of employment. It is likewise committed to equal opportunities and the avoidance of discrimination. Sexual or any other form of harassment is unacceptable.

Personal career development will be encouraged through progressive HR/Personnel Training and Development Programs.

Environment. The Company recognizes that certain resources are finite and must be used responsibly. It therefore pursues a two-pronged, external and internal, approach designed to promote environmental protection. Its external policy is aimed at anticipating developments in the environmental field related to its operations and the professional management of environmental risks. Internally, the policy is aimed at controlling any environmental burdens caused by the Company itself.

Communications. Within the bounds of commercial confidentiality, the Company places the greatest importance on open and transparent communications with its customers, employees, shareholders and the society at large.

Community Relations. The Company recognizes that good relations with local communities are fundamental to its long-term success. The Company's community relations policy is founded upon mutual respect and active partnership aimed at sustaining and trusting relationships between the Company's operations and the members of the local communities where it operates.

Cultural, sport and environmental activities are a central part of the Company's relations policy and individual employees are encouraged to play positive role in community activities.

Economic Policy. As a commercial organization, the Company believes that it must provide an adequate return for its shareholders. It supports a market economy as the most effective means of achieving the best returns for its customers, investors and employees as well as for the communities where it operates.

Competition. The Company recognizes the many benefits of a competitive environment. However, the best markets flourish only within an ethical framework and no one in the Company is permitted to disparage a competitor or to use unethical means to obtain any advantage for the Company.

IV. CONFLICT OF INTEREST

The Company and its stockholders require and expect that business affairs must be conducted in a manner that does not cloud our judgment when we deal with third parties or make decisions on behalf of the Company. Business transactions must be undertaken solely in the best interest of the Company.

Conflict of Interest can only be defined along broad lines of ethical principles as it is impossible to conceive of all situations where a conflict may arise. In general, conflict of interest arises when an employee engages in business or professional activities exclusively for his own benefit on Company time or when such business or professional activities goes against the interest of the Company regardless of whether it occurs during Company time or not. In short, a conflict of interest arises when the Company's interests are compromised.

The following, while not encompassing, illustrate some types of activities which violate the Company's policy on Conflict of Interest:

A. Business or Outside Employment

1. Involvement in any way with any business that materially interferes with the proper performance of his duties or obligations to the Company or investments in enterprises which might lead to conflicts of interest.

2. Writing for an outside publication, delivering outside lectures and attending to speaking engagements unless the prior consent of the Company has been obtained.

3. Participating in civic, political, religious, charitable, educational, cultural, recreational, or similar activities where such activities materially interfere with the faithful performance by the employee of his/her duties to the Company or shall be in conflict with the Company's interests.

4. Holding appointive or elective positions in Government or holding other employment elsewhere where the duties and obligations of the employee to the Government or to his/her other employer may adversely affect the efficient performance of his/her duties and responsibilities to the Company. In such event, the employee should decide whether to make a career with the Government or with the Company and should he/she decides to pursue his/her Government position, the employee will be requested to resign from the Company.

B. Acceptance of Gifts

Acceptance of gifts, favors, loans or other material benefits from third parties doing business or desiring to do business with Company by an employee and/or members of his family.

However, moderate or customary gifts such as those gifts given to employees during Christmas season or those made to employees on the occasion of their birthdays shall be allowed and acceptance thereof by an employee shall not be considered to be in conflict of interest.

C. Business Dealings

Financial involvement in any transaction between the Company and third parties which can influence or affect the official judgment of the employee.

Habitual engagement in the business of lending money to fellow workers or employees.

D. Other acts and activities analogous to the foregoing.

V. DISCLOSURE OF BUSINESS OR OUTSIDE EMPLOYMENT

Employees are absolutely required to make a disclosure of all their business, professional involvement and/or their other employment outside of the company within reasonable period from the time that the business, professional involvement or other employment has arisen.

Information disclosed in compliance with this directive shall be treated by the company with utmost confidentiality.

VI. USE AND PROTECTION OF COMPANY ASSETS AND TRANSACTIONS

Employees who have access to or control over Company transactions and assets, including trade secrets or other confidential or proprietary information, are expected to execute their responsibilities with the strictest integrity and highest regard for the value of the assets and the importance of the transactions. "Confidential or Proprietary Information" includes generally, all information which the employee knows or has reason/s to know and is deemed by the Company to be secret, which is in the possession of the Company and has not been published or otherwise disclosed to any third party or to the general public.

Each employee entrusted with such responsibilities must ensure that the use, acquisition or disposition of an asset by an employee on behalf of the Company is undertaken in accordance with the general or specific authorization of management and is accurately and fairly recorded in reasonable detail in the Company's books of account and records.

Unauthorized disclosure of information, whether or not it is proprietary, and unauthorized or illegal access to information or data owned or belonging to third persons/entities are strictly against Company policy.

All Company books, records and accounts must accurately reflect the precise nature of transaction recorded. Making false or fictitious entries with respect to transactions of the Company or the disposition of corporate assets is prohibited and no employee may engage in any transaction that requires or contemplates the making of false or fictitious entries.

Employees must act in accordance with all policies and procedures relating to expense reporting. The Company expects that business expenses will be reasonable and will be accurately supported by valid receipts where required.

Compliance with prescribed accounting procedures and controls is required at all times.

VII. PUBLIC INTEREST DISCLOSURE

All employees have a right and moral responsibility to report improper actions and omissions. A workplace culture must be 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 or proceedings.

Public Interest Disclosure (commonly called "whistleblowing") 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 of intimidation or reprisal.

VIII. USE OF SOFTWARE

All users of Company software should understand that the unauthorized duplication (other than for backup and archival purposes) of either proprietary or internally developed software is a violation of this policy, whether such duplication is for business or personal use and whether such duplication may place the Company in violation of its obligation to the software publishers.

IX. INSIDER TRADING

Employees of the Company may not purchase, sell, or otherwise trade in securities of the Company or of another corporation while in possession of material non-public information, such as knowledge that the Company is planning to acquire another corporation. In addition, employees may not give material non-public information, directly or indirectly, to anyone. Beyond disciplinary action, a violation of this policy may lead to civil and criminal penalties against the employee.

X. SEXUAL HARASSMENT

The Company values the dignity of every individual, encourages the development of its human resources and upholds the dignity of its employees, applicants for employment and those undergoing training, instruction or education in the company. Towards this end, all forms of sexual harassment in the workplace are absolutely prohibited.

XI. POLITICAL CONTRIBUTIONS AND ACTIVITIES

The Company absolutely prohibits the making or giving of contributions or expenditures whether in the form of money, products, services or facilities, in connection with any local or general election. Accordingly, no employee may make contributions or expenditures at any time for or on behalf of the Company in connection with any election.

Employees are absolutely prohibited from actively campaigning for any candidate in connection with any election within the Company premises/property. Likewise, except in areas which have been opened and already devoted to public or political activities, the holding of political rallies or any other form of political activity/exercise are absolutely prohibited inside the Company premises or property.

The rules governing political activity are extremely complex. Should you have any question concerning the Philippine election laws, you should consult with your in-house counsel.

XII. COMPLIANCE REVIEW

From time to time, compliance review briefings will be held in order to discuss various matters raised in this policy booklet. Each employee is expected to attend such briefings.

XIII. IMPLEMENTATION AND COMMUNICATION

The responsibility of maintaining discipline and implementing the provisions of this Business Conduct Policy as well as the responsibility to take corrective actions for breach thereof rests with line management.

Issues and concerns on matters covering the meaning, application and implementation of the principles set forth herein shall be coursed through your Human Resources/Personnel Department.

XIV. DUTY TO DISCLOSE VIOLATIONS OF THE POLICY

Employees are expected to disclose promptly any acts or transactions known to them which may be in violation of this Policy. The Company will endeavor to treat any disclosures which are made pursuant to this Business Conduct Policy in strictest confidence.

XV. GUIDANCE

It is not possible for any Statement of Business Principles to cover every eventuality, nor should it. Business life is increasingly about employees having the freedom to take decisions, as long as these are consistent with the Operating Policies of the Company.

It is therefore inevitable that there will arise occasions where employees are faced with situations not covered by the policy, precedent or procedure and have to decide on the most appropriate course/s of action to undertake. In these situations, employees are enjoined to act within the framework of what is legal, moral, fair and honest.

Roxas & Company, Inc.

A N N E X "F"

CADP Safety Code

C A D P

SAFETY CODE

atty. Florencio Mamauag Jr.

CENTRAL AZUCARERA DON PEDRO

Nasugbu, Batangas

CADP SAFETY CODE

CADP SAFETY CODE has been prepared and issued for the sole purpose of preventing accidents, which result in injuries to our employees and damage to company property.

Top management has always regarded our employees and their skills as the most important resource and valuable asset of the industry so that every possible and practical safeguard should be provided for their protection.

Accidents are costly. Substantial savings can be realized by preventing them.

The instructions and general safety rules contained in this code have been formulated by the Environmental Management and Safety Department after giving a great deal of thought to the various factors which make up for safe and accident-free working condition in the various plants and work units of **Central Azucarera Don Pedro**.

It is our hope that you will read this **Safety Code** carefully and refer to it frequently, so that you will be guided accordingly in order to prevent accidents to yourself and your fellow employees.

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CHAPTER 1 – GENERAL INFORMATION

1.1 COMPANY SAFETY POLICY

The management of Central Azucarera Don Pedro (CADP), conscious of its obligation to protect and preserve its resources especially the welfare and safety of its employees and control losses at manageable level in order to attain its production goals with a fair return of its investments, hereby declares this **Company Safety Policy**.

Management headed by the President believes that personal injury and damage to property caused by accidents are unnecessary that can make or break the company thereby all available and practical means shall be taken for their prevention.

Management regards safety as its primary responsibility thereby all phases of planning and operation must comply with safety regulations.

The Vice-Presidents and the respective Department Heads/ Superintendents under their Divisions are fully responsible for the maintenance of safe working conditions and the carrying out of the safety and health programs of the company.

Supervisors in all levels are directly responsible for safety. It is their duty to inspect and correct unsafe work practices and unsafe conditions in the workplace, investigate and report all accidents; develop and maintain a good safety disposition in their subordinates.

/

The Safety Officer is responsible for assisting and advising Management on all matters pertaining to safety in compliance with Occupational Safety and Health Standards of the government.

Finally, every employee is responsible for his own safety. It is his duty to observe and follow safety rules, regulations and practices to make safety a part of his life.

(SGD.) MIGUEL ANGEL GASPAR
PRESIDENT – COO

1.2 GENERAL RESPONSIBILITY

a. Each and every employee is required to study and observe the rules provided in this code, particularly those applying to his duties.

1.3 PLANT MANAGEMENT RESPONSIBILITY

a. Plant Management should provide the guidance necessary for the implementation of this code.
b. Plant Management should provide the equipment as required for the effective implementation of the provision of this code.
c. Plant Management should set the disciplinary action against violators of this code as deemed applicable by their respective work units.

1.4 SUPERVISOR'S RESPONSIBILITY

a. Each supervisor shall see to it that employees under his direct supervision observe safety rules embodied in this code.
b. Where other safety precautions are necessary in the performance of a particular job, the supervisor or the employee shall undertake said necessary precaution to insure safe work operations.

1.5 WORKER'S RESPONSIBILITY

a. Obedience to safety regulations while on duty is the responsibility of every person employed. Cooperation to the Safety Program is essential for the efficient performance of any job.

b. Any person in doubt as to the correct meaning and interpretation in any rule as set forth in this set of rules must secure an explanation from his immediate superior.

c. Accidents can happen through inexperience and insufficient training. If you do not know the correct manner of doing a job, ask your superior for instruction. It is always better to ask than to suffer an injury through not knowing.

d. Report immediately all unsafe conditions and unsafe tools or equipment to your superior, to the Environmental Management and Safety Department, or to the Safety Officer in the field, as this will prevent accidents. Supervisors must see to it that corrective actions are taken.

e. No intoxicating liquor shall be brought or consumed at working places. Persons found on duty in an intoxicated condition, or carrying intoxicating liquor on the job, will be subjected to disciplinary action. A person who comes to work in an intoxicated condition will not be allowed to enter job premises.

f. Always obey safety signs placed throughout the premises, as these have the purpose of warning personnel of existing hazards.

g. Pay strict attention to your work. Practical joking or horseplay is prohibited.

h. Any injury suffered by an employee, no matter how slight, must be reported at once to the employee's immediate supervisor or superior and treated at the CADP Hospital.

CHAPTER 2 – GOOD HOUSEKEEPING

2.1 All loose objects that may involve stumbling hazards should be removed from the floor immediately, especially on or in the vicinity of passageways for personnel or vehicles, stairways, ramps, etc.

2.2 Clean up or remove immediately any grease, oil or other liquids spilled on the floor, on order to prevent slipping hazards. Avoid spilling such liquids.

2.3 Never leave unprotected floor openings. If the job has not been completed, a suitable protection should be placed around it. In addition, warning lights should be installed at nighttime if such openings are in public roads or traffic passageways.

2.4 Repair and maintenance personnel are required to clean up the place after their job is completed. This includes scraps of metal or wood, refuse, sawdust, wood shaving, wires, oil rags, spilled liquid, etc.

2.5 Never leave protruding nails where they can be stepped on by other persons. If nails cannot be pulled out or bent immediately, pieces of lumber with protruding nail should be piled out of the way with nails facing down, until they can be transported to a more suitable location.

2.6 Always keep your workbench, toolbox, drawer or locker orderly manner. Acquire the habit of keeping tools in proper racks, or in such a manner that they will not cause injuries to yourself or others.

2.7 Oily waste or rags should be disposed of in covered metal containers, as there exist the danger of spontaneous combustion. For this reason, they should not be left in open containers or inside lockers.

2.8 Waste cans should be emptied daily.

2.9 Cooperate for the better appearances of your place of work, and your improved personal comfort, by keeping toilets, rooms and sanitary appliances clean and orderly at all times.

2.10 Broken glass is dangerous. Do not pick up with bare hands: SWEEP IT UP. Do not throw broken glass away into waste paper basket, but in metal trashcans.

2.11 Round goods or material like drums should be blocked from rolling. Gas cylinders should be in upright position, and when located in a moving vehicle, should be chained.

2.12 Leftovers or cuttings of the job such as lumber, scrap metal, welding butts, etc., should not be left scattered around as they pose tripping and falling hazards. They should be properly disposed of or stored if still usable.

2.13 Aisles and passageways should be properly lighted, marked and free from obstructions.

2.14 Accumulation of all types of dust should be cleaned at regular intervals from overhead pipes, beams, ledges and machines.

2.15 Parking and loading areas should be properly marked.

2.16 Outside (yard) storage should be well arranged.

CHAPTER 3 – MATERIALS HANDLING & STORAGE

Handling Materials

3.1 To avoid painful back injuries, LIFT WITH YOUR LEGS, not with your back. In other words, bend your knees and keep your back straight.

3.2 Do not load, beyond its rated capacity, any device for handling or transporting materials (cranes, trucks, elevators, cages, etc.).

3.3 Never stand under suspended loads or material being hoisted.

3.4 No person should attempt to lift or carry load beyond his strength and ability to handle it safely. Get help if necessary, as this will prevent-painful injuries resulting from over exertion.

3.5 Two or more persons carrying long material (piece of lumber strengths of piping, bundles of metal rods. etc.) should always transport on the same shoulder.

3.6 When carrying long objects on shoulder (one-man carry), raise forward end to clear heads of other persons, especially when reaching blind corners.

3.7 Never carry a material in such manner that will obstruct your vision of way ahead. This is especially important when going down or up stairways, manways, runways, ramps, etc.

CHAPTER 4 – MACHINE GUARDING

Machine Guards

4.1 Any guard should have the following characteristics to be fully effective:

a. Afford maximum positive protection.
b. Prevent access to the dangerous zone during operation.
c. Be convenient; it must not interfere with the efficient operation of the machine nor cause discomfort to the operator.
d. Be designed for the specific job and specific machine, with provisions made for oiling, inspection, dusting and repairing of the machine parts.
e. Be durable, resistant to fire and corrosion, and easily repaired.
f. Be constructed strongly enough to resist normal wear and shock, and withstand long used with minimum maintenance.

4.2 Any portion of a flywheel 7 ft. or less from the floor or platform should be guarded with an enclosure of sheet metal or rail guard.

4.3 Railings should be placed not less than 15 in. nor more than 20 in. from the rim of the wheel. It should not be less than 1 in. high. Standard toeboards should be provided from any flywheel, which extends into a pit or is within 12 in. of the floor.

4.4 Regardless of the diameter of a flywheel, if any portion of it protrudes through a working floor, that portion should be entirely enclosed or surrounded by a railguard.

4.5 Shaft couplings should be provided with covers or sleeves.

4.6 Exposed portions of horizontal shafting 7 ft. less from the floor or working platform, exclusive of runways used only for oiling or adjusting, should be enclosed by a three-sided trough or stationary casing

4.7 Vertical or inclined shafting should be enclosed to a height of 7 ft. above the floor or working platform.

4.8 Any portion of a pulley that projects below a point of 7 ft. above the floor or platform should be enclosed to that point.

4.9 Pulleys regardless or speed should be enclosed at least to the in-running nip point.

4.10Horizontal transmission belts 7 ft. or less from floor levels, travelling in excess of 250 fpm should be enclosed.

4.11Vertical and inclined belts on any width and at any speed in excess of 250 fpm should be enclosed to a height of 7 ft.

4.12Gears, sprockets and chain should be protected by one of these means:

a. A complete enclosure on all sides with no opening in the guard exceeding ½ in., if the guard is within 4 in. from the gear.

b. A woven wire or expanded, perforated or sheet metal guard at least 7 ft. high, placed between 4 and 15 in. from the moving gear on all sides.

Working Around Machinery

4.13 Machine guard shall not be removed except for the purpose of inspection and repairs to the machine guards or machinery. Guard should not be removed while machine is in operation. After such repairs have been completed the guards shall immediately be replaced.

4.14 Machine should not be started unless the guards are in place and in good condition. Defective or missing guards should be reported to the foreman at once.

4.15 Whenever safeguard devices are removed for repair, adjustment or to service equipment (lubrication and maintenance), the power for the equipment should be turned off and the main switch locked and tagged.

4.16 A danger tag or lock shall be removed from a switch or other control etc. only by the person who so placed it.

4.17 One must not depend on a tag or tags placed by men from another department, they must be protected by their own individual or party tags.

4.18 Tags must be placed on the control machine, etc. only when such equipment is in the correct non-dangerous position and placed so that they will not become detached or destroyed.

14.19 No switch, valves or other machinery and controls shall be operated when a danger tag is attached.

14.20 Never operate a machine or mechanical equipment without the proper authority.

14.21 Do not leave machinery running unattended.

14.22 Only electricians must repair electrical equipment. Needed repair must be reported to the foreman or electrician on duty.

CHAPTER 5 – ELECTRICAL SAFETY

5.1 Only authorized person shall make repairs or work on, electrical equipment.

5.2 Steam, eater or oil leaks near electrical equipment shall be reported immediately to the supervisor-in-charge.

5.3 Electrical equipment, which is heating or sparkling excessively, shall be cut out and an electrician called to correct the condition.

5.4 Working surfaces shall be kept dry when working with or near electrical apparatus.

5.5 The frames of all portable electrical equipment must be securely grounded before use.

5.6 Equipment or machinery shall not be operated within ten (10) feet from any high-tension power line.

5.7 All electrical wires must be considered live until proven that they are not.

5.8 A switch shall not be closed without full knowledge as to why the circuit is open. Only the person who tagged the switch open shall remove the tag on a switch.

5.9 Only explosion proof motors and/or vapor-proof fixtures, extension lights, and/or flashlights, shall be used in gaseous atmospheres.

5.10 All portable extension lamps must be provided with guard. Do not use lamps with frayed or worn extension cords.

5.11 Substantial insulation, grounds or other protection shall be provided during operations to protect employees from injuries resulting from temporary or permanent electric wiring or apparatus.

5.12 Wiring equipment such as fastenings, connections, etc. where accessible to workmen shall be nonconductive and/or where conductive equipment is used, the same small is guarded so as to protect workmen against injury.

5.13 No work shall be done on any wiring or equipment carrying 600 volts or over until the portion being worked upon is protected on both sides by grounds, blocks, by-passes, hold-off systems or by other effective means.

5.14 All work on electric wiring or equipment carrying 600 volts or more, shall be performed by men competent and qualified in high voltage installations.

5.15 Suitable insulating mats or platforms of substantial construction and providing good footing shall be so placed on floors and, if necessary, on the frames of the machines having exposed five parts of more than 150 volts to ground, that the operator persons in the vicinity cannot readily touch such parts unless standing on the mats, platforms or insulating floors.

5.16 Overloading of electric circuits is prohibited. All circuits shall be fused or have circuit breakers adjusted for the designated safe load.

5.17 The use of slugs or jumpers on circuit breaking devices is prohibited.

5.18 When temporary wiring is used in tanks, cofferdams or other confined spaces, an approved type switch shall be provided at the entrance of such spaces for cutting off the current in emergencies.

5.19 When maintenance or repair work must be done on energized conductors, it is advisable to have two or more employees work together.

5.20 The use of temporary wiring should be discouraged even though it may be reasonably safe when first put in.

5.21 When additional equipment is being installed or operated under temporary conditions, no taps should be made into an existing circuit unless an individual switch is installed in the branch line.

5.22 Rubber gloves should not be used as a substitute for safety devices or procedures, but are worn as a supplementary measure.

5.23 Warning signs should be displayed near exposed current-carrying parts and in especially hazardous areas, such as high voltage.

5.24 Good illumination should be provided for the front and rear of switchboards and maintained ready for use at all times.

5.25 Switches, fuses and automatic circuit breakers should be plainly marked and arranged to afford ready identification of circuits or equipment supplied through them.

5.26 When installed along passageways, switchboard panels should be protected by guardrails or barriers.

CHAPTER 6 – HAND TOOLS SAFETY

6.1 Select the right tools for the job.

6.2 Never substitute proper tools, material or equipment. Use only approved implements provided for performing the job safely and well.

6.3 Use tools the right way with proper positioning, system operation and movement consideration.

6.4 Tools must be removed from the work place when the job has been completed.

6.5 The tool bucket should be kept free from broken glass, broken pieces of porcelain, nails and other materials, which might puncture rubber gloves and portable equipment protective insulation.

6.6 Tools and other equipment used on company work should be subjected to inspection by the foreman at all times and should be inspected periodically. Defective tools or articles should be used until properly repaired or replaced.

6.7 Tools or materials should not be thrown or tossed from one employee to another. They should not be placed or permitted to remain on narrow pathways or on scaffolding or where it would create a stumbling hazard or be placed in a position where they may fall on someone.

6.8 Pointed tools should never be carried edge or point up in workman's pocket or shoulder. They should be carried in a tool box or in a pocket tool pouch, or in the hands with points and cutting edges away from the body and from any person following.

6.9 When working in an elevated position all tools and small materials should be raised and/or lowered in a canvas bucket or insulated container. This container should also be used for the storage of tools and materials while in the working position. Tools should be not be stored on cross-arms.

6.10Tools should not be thrown from the ground to the working position or vice versa.

6.11Keep all hand tools, whether your own or the company's in first class condition at all times. Tools should be kept free from grease and dirt.

6.12Never use mushroomed or cracked heads, or tools with loose or broken handles. Either repair a bad tool at once or secure a replacement.

6.13Chisels, hammers, wedges and other striking tools must be inspected at weekly intervals. No mushroomed or cracked tools are permitted, and they should be dressed by proper grinding.

6.14When two or more persons are working close together in confined place (inside hulls, tanks, etc.), proper coordination of the movements is essential so as to prevent causing injuries to one another with tools being handled.

6.15 Brittle tools, such as files and rasps, must not be stacked with other metal tools. Files and other tools with pointed stems must not be used without corresponding handles.

6.16 Do not use excessive pressure or force on hand tools. If the tool requires too much exertion (such as adding a piece of pipe to a wrench), it is not the right tool for the job. Get one of correct size and design.

6.17 In most cases it is safer to pull on a hand tool rather than push on it.

6.18 Portable electrical tools must be in good operating condition and properly grounded. Handle the cord carefully to avoid damage.

6.19 Keep a handsaw sharp and in good condition, with teeth properly set and clean.

6.20 When using a handsaw, start the cut with two long pulls up, guiding with the thumb.

6.21 Use only screwdrivers in good condition, and that fit the screw. Never use for leverage or for prying things open.

6.22 The safest way to hold a cold chisel, whenever possible, is between thumb and forefinger, palm up. If the tool is gripped in the fist and a blow misses the chisel head, it may strike your knuckles and result in painful and disabling injuries.

CHAPTER 7 – SPECIAL EQUIPMENT SAFETY

Scaffolds and Ladders

7.1 Erected scaffolds should be inspected by the workman in-charge regularly to make sure they are maintained in safe condition.

7.2 Never use makeshift or improvised scaffolding. If scaffolding is required, make sure a safe one is erected.

7.3 Never use ladders or makeshift devices on top of scaffolding to increase its height.

7.4 Safety lines or ropes at least 5/8" in diameter securely anchored at the top should be provided for each man on a swinging scaffold.

7.5 Ladders should be examined before using and the side rails, spurs, shoes, rungs, etc., shall be in good condition. If found defective, they should be replaced.

7.6 Ladders must be placed at a safe working angle with the footing secured and whenever practicable, ladder shoes or spurs must be used to prevent the possibility of ladders slipping. Where surface is slippery or where other conditions subject the man on the ladder to any unusual hazard, another man shall otherwise be secured.

7.7 When using a ladder the workman should not reach so far to the side as to unbalance himself on the ladder.

7.8 Portable meal ladder or wooden ladders with metal side rail reinforcement and metal rungs should not be used in substitution or at other locations where there is danger of contact with energized parts.

7.9 Stepladders shall be equipped with a metal spreader or locking device of sufficient size and strength to securely hold the front and back section in open position.

7.10 Never use ladders in horizontal position as runways or as scaffolds.

7.11 Never position a ladder in front of a door that opens toward the ladder unless the door is locked or guarded.

7.12 Never place a ladder against pane or sash.

7.13 Always provide solid footing on soft ground to prevent the ladder from sinking.

7.14 Never lean a ladder against unsafe backing such as loose boxes or barrels.

7.15 Be sure that a stepladder is fully open and extended before you start to climb. Always face ladder and hold on with both hands which is kept free of tools or other matters whenever ascending or descending a ladder.

7.16 Do not use ladders during a strong wind except when emergency and then only when they are securely tied.

Heavy Equipment

7.17 Particular attention should be given to the handling of heavy weights, selection and adjustments of the slings and the type of hitches used. The person in charge should be familiar with safe loads for chains, cables and other lifting equipment. When moving heavy objects on inclines, employees should always have "follow-up" blocks in place that will prevent losing control of the objects being moved.

7.18 A regular program of inspection and maintenance to be performed only by qualified mechanics should be established for all heavy equipment.

7.19 The safe operation of heavy equipment should always involve the selection and training of operators and maintenance crew should be thorough and systematic.

7.20 A firm foundation is required under shovels and cranes and outriggers should be in place before loads are lifted.

CHAPTER 8 – CHEMICALS AND GASES

Handling of Chemicals

8.1 Bottles, cans and other containers of chemicals shall be clearly and properly labeled and a system should be maintained to ensure that a label is replaced before it becomes unreadable.

8.2 Inhalation of excessive amounts of solvent's vapor should be avoided. Use appropriate personal protective equipment.

8.3 Frequent washing with the use of large quantities of water is necessary after exposure to irritants.

8.4 Leaking containers should be remedied immediately by transferring the chemical to sound containers.

8.5 Spills should be cleaned up promptly by workers wearing protective equipment.

8.6 Chemicals should be handled in strict compliance with the rules given for their type as shown on the label.

8.7 Chemicals which might react together to produce dangerous fumes, fire or explosion shall be stored separately.

Laboratory Work

8.8 The laboratory's ventilation system must be properly maintained.

8.9 When work has to be done with explosively unstable substances, suitable shields should be designed which allow the necessary manipulation while providing protection for the worker.

8.10 Laboratories should be fully equipped with a complete range of personal protective equipment.

8.11 The importance of personal hygiene should be stressed and it should be pointed out that long hair, beards and moustaches increase the hazards of contamination.

8.12 Never open bottles or containers of highly volatile flammable chemicals, liquids or gases in a room where there are open flames unless special precautions for ventilation are taken and flames and burners are at a safe distance.

8.13 Never leave burners or fires of any kind going when not needed.

8.14 Maintain constant inspection of rubber tubing used on gas burners and prevent leaks of all kinds.

8.15 Know the location of and maintain emergency shower or eye wash fountain always in operating condition.

Combustible Gases

8.16 Equipment of handling and storing flammable gases should be constructed, inspected and maintained so that the danger of leakage and explosive mixture formation is reduced to a minimum.

8.17 Combustible gases may be stored in the open only if they are adequately protected from the weather and the direct sunlight. Storage areas should be located at a safe distance from occupied premises.

8.18 The premises of a depot should be adequately ventilated and a system of lighting which flameproof electrical switches should be installed.

8.19 Cylinders should be used for one gas only or properly cleaned before filling in with a different gas.

8.20 Cylinders of flammable gases shall never be stored in the same room as cylinders of oxygen.

8.21 To prevent the escape of gas, containers should be made from materials, which are not affected by high pressure and are not subject to corrosion.

CHAPTER 9 – MACHINE SHOP PRACTICES

Machine Shop

9.1 Do not wear gloves when working at the point of operation of any machine.

9.2 Power must be shut-off before placing work on or in the machine.

9.3 Welding works should be in shade or operating areas must be shielded to prevent glare to other workers around the shop.

9.4 Precautions should be taken against fires when cutting or welding near loose, flammable materials, air ducts, gas lines, acid tanks, electrical circuits, etc. See that proper extinguishers and fire watch is provided.

9.5 Never use oil gasoline compounds for washing hands and machinery's. Use proper cleansing agents.

9.6 When blowing out lines under pressure in order to clean them, make sure that you and other person will not be injured.

9.7 Do not reach over the machine to get materials worked on or finished work from the other side. Always walk around the machine to get materials from behind knives or saws.

9.8 Employees working about moving machinery or live equipment and circuits shall proceed with great care in performing their work considering carefully the effect of each act and doing nothing which might endanger themselves or others.

9.9 Never use compressed air for cleaning clothing or any part of your body. This practice is very dangerous, especially when carrying objects around the mouth, eyes, ears, etc.

9.10 When going downstairs, always use handrail, especially when carrying objects. Walk, do not run.

Machine Tools

9.11 Operation, adjustment and repair of any machine tool must be restricted to experienced and trained personnel or apprentices under close supervision.

9.12 Safe work procedures must be established, and short cuts and chance taking prohibited.

9.13 New equipment should be inspected and safety innovations made before allowing operator(s) to use the equipment.

9.14 Machine should never be left running unattended.

9.15 Manual adjusting and gauging (calipering) of work should not be permitted while the machine is running.

9.16 Operators should use brushes, vacuum equipment or special tooth for removing chips.

Gas Welding and Cutting

9.17 All persons engaged in the installation, maintenance and operation of apparatus and equipment shall be qualified by experience or instructed in safe methods before being permitted to engage in such operations.

9.18 All apparatus and equipment shall be completely inspected before being placed in service and weekly thereafter. Defective apparatus and equipment shall be removed from service, replaced or repaired and re-inspected before again being placed in service.

9.19 Cylinders shall be stored in definitely assigned places away from stairs, gangways or entrances to confined spaces. Assigned storage spaces shall be located where cylinders will not be knocked over or damaged by passing or falling object.

9.20 Cylinders containing oxygen shall be stored well away from cylinders containing combustible gases.

9.21 Cylinders permitted inside the building shall be stored in a well-protected, ventilated, dry location, well away from highly combustible material such as oil or excelsior and/or other sources of heat.

9.22 Valve protection caps shall always be in place, hand tight except when cylinders are in use or connected for use.

9.23 Oxygen shall not be used as a substitute for compressed air in pneumatic tools, in oil, preheating burners, to start internal combustion engines, to blow out pipelines, to "dust" clothing or work, or to create pressure, or for ventilation.

9.24 Fuel gas cylinder valves shall be opened only with tools specifically designed for that purpose. Oxygen cylinders, the valves of which cannot be opened by hand, shall be set aside and supplier notified.

9.25 Tampering with safety devices in cylinders or valves is prohibited.

9.26 A suitable track, chain or steadying device shall be used to keep cylinders from being knocked over while in use.

9.27 Fuel gas or oxygen cylinders will not be used without first attaching a regulator to the cylinder valve.

9.28 Cylinder valves not provided with fixed hand wheels shall have keys or handles on valves spindles or stems while cylinders are in service.

9.29 Operators shall be required to follow the procedure outlined by the manufacturer of the apparatus in use, in so far as they deal with the sequence of operations in lighting, adjusting and extinguishing blowpipe flames and connecting the apparatus to sources of gas supply. An acetylene cylinder valve shall not be opened more than 1 ½ turns of the spindle.

9.30 Cylinders shall be kept in sufficient distance from the actual welding or cutting operations so that sparks, hot slag or flame will not reach them.

9.31 Cylinder valves shall be closed when work is finished or before moving cylinder.

9.32 Empty cylinders should be marked "MT" and segregated from full cylinders.

9.33 No one shall attempt to mix gases in a cylinder, refill a cylinder, or use it for other than intended by supplier.

9.34 Fuel gas cylinders found to have leaky valves or fittings which the closing of the valve will not stop shall be taken into the open away from any source of ignition and slowly drained of gas. Cylinders will be tagged and the owner notified.

9.35 Keep oxygen cylinders and fitting away from oil or grease. Cylinders, cylinder valves, couplings, regulators, hose and apparatus shall be kept free from oily hands or greasy substances and shall not be handled with oily hands or gloves. Oxygen cylinders shall never be handled on the same platform with oil or placed in a position where oil or grease is likely to fell upon them. A jet of oxygen should never be directed at oily surfaces, greasy clothes or into a fuel oil or other storage tank.

9.36 Hose connections shall be made through substantial fittings, and clamped or otherwise securely fastened so as to withstand, without leakage a pressure twice as great as the maximum pressure on the system.

Arc Welding and Cutting

9.37 Before starting operations, the operator should make certain that all electrical connections are securely made. The work connection should be attached firmly to the work. Work leads shall be as short as possible.

9.38 All equipment should regularly be checked to make certain that electrical connections and insulation on the holders and cable are in good order. Unsafe equipment should be reported to the proper supervisors, and use of such equipment discontinued until safe to operate.

9.39 Proper switching equipment for shutting down the welding machine shall be provided on or near the welding machine. A suitable motor starter of the hand or magnetic type shall be used.

9.40 A suitable means of control for varying the welding current over the specified welding range shall be provided. A suitable current indicating device, which shows the welding current corresponding to the setting of the generator control, shall be provided.

9.41 All parts of the motor and generator shall be bonded suitably enclosed and protected.

9.42 Neither terminal of the welding generator shall be bonded to the frame and protected.

9.43 All electrode holders shall be fully insulated, specifically designed for arc welding and of capacity to safely handle the maximum rated current required by the electrodes.

9.44 Electrodes shall be removed from the holder when not in use.

9.45 All welding cables shall be of the completely insulated type of proper size, etc., for the maximum current requirements of the work.

9.46 Only rubber-covered cable free from splices shall be permitted for a minimum distance of 10 feet from the electrode holder.

9.47 Lengths of cable shall be connected by substantial connectors of a capacity at least that of the cable.

9.48 Cable lugs shall be soldered to the cable and securely fastened to give full electrical contact. The exposed metal parts of the lugs shall be completely covered with rubber tape and protected with friction tape or equivalent protective covering.

9.49 All ground connections shall be mechanically strong and electrically adequate for the required current.

9.50 Proper electrical contact shall exist at all joints when a building structure or pipeline is used temporarily as ground return circuit.

9.51 Where a structure or pipeline is continuously employed as a ground return circuit, all joints shall be bonded and no condition of electrolysis or fire hazard permitted to exist.

9.52 Pipe lines containing gases or flammable liquids or conduits carrying electrical conductors will not be used for a ground return circuit.

9.53 Welding cables shall be kept dry where practicable and free from grease and oil.

9.54 A cable, which has become worn, exposing bare wires shall have that portion properly repaired or replaced.

9.55 When the operator has occasion to leave his work or stop work for any appreciable time, the power-supply switch in the equipment should be opened and the unit disconnected from the source of power.

9.56 Cable shall be substantially supported overhead. Special care shall be taken to see that welding supply cables are not in proximity to power supply cables or other high-tension wires.

Rule 1100 – Gas and Electric Welding and Cutting Operations

9.57 Gas and Electric Welding and Cutting Operations:

1100.01: General Provisions

1. Welding or cutting operations shall not be permitted in rooms or areas containing combustible materials or in proximity to explosives or flammable liquids, dust gases or vapors, until all fire and explosion hazards are eliminated.

2. Welding or cutting operations on containers filled with explosives or flammable substance is prohibited. Welding closed containers that have held explosive or flammable substance shall only be undertaken after the containers have been thoroughly cleaned and found completely free of combustible gases or vapors on the containers are filled with inert gas or with water.
3. Welding and cutting operations carried out or done in places where persons other than the welders work or pass shall be enclosed by means of suitable stationary or portable screens. Screens shall be opaque of sturdy construction to withstand rough usage of a material which will not readily be set on fire by sparks or hot metal, at least 2 m (6.5 ft) high, and preferably painted with light flat paint.
4. A portable fire extinguisher shall be provided at the place where welding and cutting operations are being undertaken.
5. Authorization before welding and cutting operations are allowed in large establishments, the area shall be inspected by the Safetyman. He shall issue a written permit or authorization for welding and cutting, indicating therein the precautions to be followed to avoid fire or accidents.

1100.02: Personal Protective Equipment

1. All workers or persons directly engaged in welding or cutting operations shall be provided with the following personal protective equipment:

a) Goggles, helmets or head shields fitted with suitable filter lenses and hand shields, and
b) Suitable aprons

2. All persons directly assisting in welding or cutting operations shall be provided with goggles, gloves or other protective clothing, as may be necessary.

1100.03: Welding or Cutting in Confined Spaces

The inhalation of any fumes, gases or dusts by persons welding or cutting in confined spaces shall be prevented by the provision of:

1. Local exhaust and general ventilation system to keep fumes, gases or dusts within allowable concentrations or threshold limit values.
2. Approved types of respiratory protective equipment.

CHAPTER 10 – PERSONAL PROTECTIVE EQUIPMENT

10.1 Correct type of personal protective equipment must be prescribed by the Department Head and Supervisor. Wearing such equipment should be enforced by the supervisor.

10.2 It is the responsibility of personnel provided with personal protective equipment to wear them at their place of work and take good care of them at all times.

10.3 It is the obligation of every employee to report damage to personal protective equipment, so that they can be repaired or replace immediately.

10.4 Make sure that you obtain a proper fir of the protective equipment issued to you (goggles, respirators, etc.) and that you understand how use and maintain it in serviceable condition.

10.5 Everyone should dress properly for the job.

10.6 Safety headwear is obligatory where there are overhead activities.

10.7 Respiratory must be used for specific jobs like handling toxic/hazardous chemicals, dust and fumes.

10.8 Protect your feet by wearing shoes in good condition and of a type suitable for the work you do. For instance, tennis or basketball shoes are not recommended for most jobs, while in other types of work, low shoes are not safe.

10.9 Goggles, face-shields or helmets should be provided for personnel exposed to eye injuries and this equipment shall be worn during the whole time in which the hazard exists.

10.10Corrective spectacles or eyeglasses should never be used as substitute for safety goggles.

10.11Employees should use shield, goggles or helmet and gloves whenever operating burning or welding outfits. Welders and helpers should wear gauntlet gloves.

10.12Never watch welding work unless you are wearing the correct filter glass.

10.13Personnel handling acids, and caustics and other chemicals shall wear face shield or special rubber gloves goggles and suitable gloves, apart from protective apparel that may be provided by the supervisor.

10.14Safety belts are required for work in electrical places.

10.15Ropes or lines used with safety belts must be kept short to prevent long drops of the person, and kept secured at supporting points at all time. Ropes used as life line should be in first class condition, and those showing frayed spot, damaged or which have been used around acids or caustics must be discarded from such service.

10.16Gloves should be provided for occupations requiring hand protection, and they should be worn whenever necessary. Exception is made when around machine tools in operation.

CHAPTER 11 – BOILERS and PRESSURE VESSELS

BOILERS

11.1 A test and servicing program should be established whereby operating controls, safety controls and safety and relief valves would be tested and maintained at regular intervals.

11.2 Repairs should be made immediately upon indication of malfunction or leakage of operating controls, safety controls or safety and relief valves. Never operate with a malfunctioning safety or relief valve.

11.3 Enforce the keeping of a boiler log to ensure those necessary tests, maintenance and services performed and that records are available at all times.

11.4 Repairs and adjustments, such as tightening up flanged fittings, shall not be made on boilers and steam lines while under pressure.

11.5 Rules for both routine and emergency boiler operations should be posted permanently and legibly in the boiler room.

11.6 In addition to being well illuminated, the boiler should have a source of emergency lighting.

11.7 Repair of pressure parts of boiler or pressure vessel shall only be done after the plans and specifications of materials are approved by the Bureau, Regional Labor Office concerned.

11.8 The following precautions should be taken when maintaining Boilers:

a. When it is necessary for employees to execute work inside of drums or other internal portions of boilers, they shall first secure release from boiler house foreman or engineer in charge. Such work must not be done by any employee of the plant without having first received specific instructions from either the chief engineer, his foreman or some other person designated to supervise the work.
b. Before employees will be allowed to enter boiler for cleaning, inspecting or repairing, each of the boiler valves shall be securely closed and locked or sealed, "TAGGED" with the name of the foreman who called the apparatus out of service, and proper danger signs installed reading "DANGER MAN WORKING IN BOILER".
c. On all water tube boilers when there is manhole on each of drum it is advisable that both manholes on each drum be removed before employees enter the boiler. On horizontal return tubular boilers, it is advisable that the manholes on the upper as well as the lower part be removed.
d. When working in boilers, employees should assure themselves that electrical lighting equipment is adequate.
e. No volatile inflammable shall be used for cleaning purposes. Oily waste or oil saturated clothing shall not be permitted inside any boiler drums except in cases where it is necessary to use welding or gas and cutting equipment.

f. No boiler drum, combustion chamber, condenser shell or heater should be closed or sealed until it has been made absolutely certain that no one is inside.
g. When slagging or cleaning boiler furnaces, it is recommended that men be equipped with goggles, suitable respirators or hose mask equipment and safety helmets.

Unfired Pressure Vessels

11.9 Servicing and maintenance of unfired pressure vessels are governed by the following:

a. Pressure vessels should be inspected regularly by persons who qualified and trained for this work.
b. Before being entered into a vessel must be properly drained, ventilated and cleared of flammable or toxic gas. All connecting pipelines should be disconnected and blanked or valves on the line should be closed, locked out and tagged.
c. Men lowered into vessels should carry with them facilities to climb back out themselves.
d. Compressed gas or air should never be used to test an unfired pressure vessel above its safe working pressure. Although it can be used to test for leaks at pressure below the working pressures.
e. In conducting a hydrostatic test:

   1. Gauges should be checked to make sure they are in good working order and read accurately. Gauge connections should be checked to make sure they are clear.

2. It should be ascertained that all threaded connection are made suitable for the highest pressure to be encountered.
3. Any piping connected to the vessel under test should be suitable for the highest pressure to be encountered.
4. Vents should be provided at all high points of the vessel in its test position.
5. Operators should be instructed to open cover plates on removable doors only after the vessel has been relieved of all pressure.
6. Areas where high gas-pressure systems are operating should be restricted to all but necessary personnel.

CHAPTER 12 – WORKING IN CONFINED SPACES

12.1 An employee should only enter a chamber or other semi-enclosed area with the knowledge of his foreman or other responsible person. Danger tags shall be placed at the openings and such tag shall not be removed until the work has been completed and then only by the person who so placed it.

12.2 When men working inside boilers, air heaters, tanks, etc., a sign stating "DANGER – MEN INSIDE" should be placed outside the enclosure in a conspicuous spot. These signs may be removed only by the foreman or men assigned to do the work after they had made certain that the interior work is finished and the workers as well as tools and equipment are out of the enclosure. No piece of equipment should be sealed, shut or energized while it is blocked off with a "DANGER – MEN INSIDE" sign.

12.3 In case an electric welding equipment should be used in confined spaces, make sure before entering that the helper knows how to switch it off in case of emergency.

12.4 Never use oxygen from your torch to clean down a job to be welded particularly in a closed space.

12.5 Observe precautions on Pre-entry and occupancy:

a. When necessary clean the space to remove all residual contaminants such as solvents and organic materials where work in boilers and furnaces is to be done, allow adequate time for cooling.

b. All valves and switches connected with the operation of the confined space must be closed and locked to prevent accidental introduction of contaminants, hot water, line steam or starting of equipment within the space when it is occupied.
c. If possible, provide continuous ventilation during occupancy.
d. Lifeline should constantly be held by a second standby worker who should continuously watch the worker in the confined space to permit rapid removal of the worker in an emergency.

CHAPTER 13 – OFFICE SAFETY

Office Behavior

13.1 Fighting, wrestling, practical jokes or any form of horseplay is prohibited inside the office, or in the plant compound.

13.2 Avoid placing of feet on the desk while leaning back on the chair, nor should you scoot across the floor with your chair.

13.3 Never report for work while intoxicated or under the influence of intoxicating substances.

13.4 When opening a door, stay out of the path of its swing. Another employee might be on the other side opening it too.

13.5 Under circumstances should employee unduly hurry when on hazardous work?

13.6 Never throw cigarette butts in trashcans, use ashtrays.

13.7 Floors and aisles in the work area must be kept free and unobstructed.

13.8 Keep lockers and cabinets clean, neat and orderly.

13.9 Never store oil-soaked rugs, floor wax, paints, thinners and other flammable materials inside safety vaults.

13.10 Do not smoke inside elevators. •

Office Equipment

13.11 Telephone and electrical cables should not protrude c bar passageways. These and other obstructions such a low tables and office equipment should be protected b being placed against walls or partition, under desks c in corners.

13.12 Two or more file drawers should not be opened at th same time nor pulled out too far that may cause fil cabinets to be unbalanced.

13.13 File drawers should not open into aisles unless ext space is provided for this. Particularly, file drawe should not open into narrow aisles. Pencil sharpene and typewriter carriages must not jut out into the aisle

13.14 Wastebaskets should be kept where people do not tri over them.

13.15 Office furniture should be devoid of sharp corners an burrs. If it has, it should be corrected immediately.

13.16 Electric office machines should be carefully take cared of to prevent damage to machine, and grounde to prevent electric shock.

13.17 Never leave file drawers open. Other persons in i vicinity should be warned of an open file drawer t avert bumping against it.

13.18 Heavy objects should be kept off the top of fi cabinets and other high furniture.

13.19 Thumbtacks and other sharp objects should not be thrown loosely into drawers. They should be kept in a box or other appropriate containers.

CHAPTER 14 – CONSTRUCTION SAFETY

Structure Demolition

The following are to observed:

14.1 Only minor demolition work should be done by plant personnel.

14.2 Make provision to keep the public and unauthorized plant employees at least 15 ft. away from the structure.

14.3 Disconnect utility services (gas, steam and electricity) outside the building. Maintain waterlines as long as possible or install temporary water sources for fire protection and for wetting down the site to reduce dust.

14.4 Remove all glass doors and windows throughout the structure.

14.5 Strip of lath and plaster to eliminate excessive dust during succeeding operations.

14.6 Remove chimneys and extension of walls above the roof level while working from the roof.

14.7 Walls should be removed by picking them apart. Work from scaffolds supported independently of the walls.

14.8 Remove all debris promptly.

14.9 Avoid subjecting walls to lateral pressure from stored material or to lateral impact from falling material.

14.10 Barricade any area where material is being dumped and place screens where necessary to protect workmen from flying pieces.

14.11 Permit no employee to work below others.

14.12 Combustible structures should be surveyed to make sure that demolition would not affect their soundness and weather tightness.

14.13 Traffic control when necessary, should be set-up to facilitate the removal of rubbish.

14.14 Fire hoses should be made available. Access to the area and supply of water should be maintained for the fire department.

Excavation

On excavation works the following precautions should be observed:

14.15 Excavation along the public highway and other frequented places shall be properly protected by placing barriers, suitable guards, warning signs, red flags or danger signals so located as to be conspicuous to traffic.

14.16 When excavations are to be left unattended at night, not less than two danger lanterns should be used.

14.17 Barricades of materials having protruding nails should not be permitted.

14.18 All excavations should be carefully refilled until such time as permanent paving can be done. All refilling must be well tamped.

14.19 Ditching machines should be provided with suitable walkways, footboards and railings and proper safeguards over gears, chains and other moving parts. Employees should not be allowed to stand near digging buckets while machine is in operation.

14.20 Before any attempt is made to excavate, locations of underground pipes or electric lines should first be determined.

14.21 Material excavated by machine should be thrown at least 24 inches from the edge of the excavation but not aisles or work areas in the plant.

14.22 Excavated material should not be permitted to accumulate in a busy work area, but should be tucked or otherwise removed.

14.23 Pick and shovel men working in excavations should be kept far enough apart to prevent injury to one another.

14.24 Excavations should be barricaded to prevent employees or others from falling into them.

14.25 Dry drilling is not permitted underground to avoid serious health risk from silica dust.

Good Housekeeping at Construction Site

14.26 All discarded material must be removed from the job at once.

14.27 Combustible material yet to be used should be stored where it is safe from careless workmen or incendiary.

14.28 The job should be kept clean and the rubbish removed from the site daily.

14.29 A rubbish chute discharging from each floor into a transportable container should be provided to take care of small loose objects.

14.30 Throwing rubbish over the side or out window openings should be strictly prohibited.

Site Clearing

14.31 A space around the construction-site must be provided for delivery and storage of materials and offices and "shanties" for the men.

Woodwork

14.32 Except for the amount for immediate need, lumber is best stored outdoors.

14.33 If lumber must be handled manually to or from a higher pile, the pile should not be more than 16 ft. high and safe means of access to the top such as ladder should be provided.

14.34 Lumber stored outdoors should be covered to prevent checking or twisting. Lumber stored indoors should be in a well-ventilated building.

14.35 Cutting tools should be kept well sharpened and correctly balanced on their spindles and the whole machine should be placed on a vibration-damping base to minimize the amount of noise generated.

14.36 Operators should be given detailed instruction in the use of their machines and particular attention should be paid to the correct setting of guards and the use of pushsticks when machining small stock.

14.37 Whenever possible, sawdust and shavings should be taken off automatically from the machine; where automatic collector system is unavailable, waste should be swept up regularly to minimize the fire hazard.

14.38 When the work necessitates the use of a wide range of adhesives it should, if necessary, is carried out under exhaust ventilation.

14.39 Sanding appliances should be fitted with integral exhaust equipment or sanding be carried out under and exhaust hood.

14.40 All woodworking machinery should be effectively guarded to protect the operator and other employees from hazards inherent to their operation.

14.41 A power control device should be provided on each machine to make it possible for the operator to cut off the power to the machine without leaving his position at the point of operation.

14.42 Power and operating controls should be located within easy reach of the operator while he is at his regular work position, making it unnecessary for him to reach over the cutter to make adjustment.

This does not apply to constant pressure controls used only for set-up purposes

14.43 Each operating treadle shall be protected against unexpected or accidental tripping.

14.44 When sawing small pieces, always use a notched pusher piece to push small pieces through the saw and not with your hand.

14.45 Be alert to the danger of a kickback of materials passing through the pony planner.

Pipework

14.46 Before work is done on a pipeline, the line must be shot off, valves locked and tagged, and the section of the line relieved of pressure and drained.

14.47 To prevent hands from slipping, maintenance men should carry a piece of waste or a rag in their pocket to wipe off excessive oil on pipes and fittings.

14.48 Gloves should be worn when handling pipes and fitti especially when ends are threaded.

14.49 Pipes should be checked for burrs and these should filed off immediately.

14.50 Pipes should be color-coded, especially does carryi potable water for drinking or for food preparation.

14.51 When a job involves a considerable amount pipework, the materials should be move to strate points as the job progresses, to eliminate s accumulation and reduce the amount handling.

Public Safety

14.52 Barricades, fences and guardrails should be set-up a appropriate warning signs should be posted.

14.53 Night lighting should be provided when necessa especially in areas where open trenches or ditcl create hazard in aisles and roadways.

14.54 If construction is about the sidewalk, blocking off t sidewalk with a fence must protect pedestrians.

14.55 When gates in the fence are open they should guarded to warn pedestrian and vehicles wh deliveries are being made.

Painting

14.56 No smoking and no open flames are permitted in the paint shed or in the spray room.

14.57 All paints, thinners and cleaning fluid must be stored in place provided and with the lids of container tightly covered and close.

14.58 Respirators must be worn during painting jobs and when in the open airs, advantage should always be taken of the wind directions.

CHAPTER 15 – FIRE PREVENTION and CONTROL

Fire Prevention Practices

15.1 Fire hazard should be detected and eliminated through frequent and regular inspection.

15.2 Employee/s should eliminate or report to their immediate supervisor fire hazards, particularly in their work area, which may cause the loss of life or destruction of company property.

15.3 Fire fighting equipment should be checked regularly to be sure that it is ready for any emergency.

15.4 If a fire starts and you cannot put it out during the first few moments, do not lose valuable time trying to extinguish it without proper assistance facilities. A fire allowed to spread is difficult to control. Call the telephone operator, giving your name, indicating the exact location of the fire. Briefly, the correct procedure is as follows:

a. Give the alarm at once.
b. Try to put the fire out.
c. Get help – do not lose valuable time.

15.5 It is everyone's duty to know the location of fire control facilities, such as portable extinguisher, emergency and exit doors, etc. that have been made available in the vicinity.

15.6 Learn the mode of operation of fire extinguishers and proper application as to the fire of fire. This knowledge may be of extreme importance during an emergency condition.

15.7 It is absolutely prohibited to smoke or use open flames in restricted areas, which have been provided with "NO SMOKING" signs. These areas comprise storage's or highly combustible goods, explosives, flammable materials, etc.

15.8 Accumulation of all types of dust should be cleared at regular intervals particularly from bearings and other heated surface.

15.9 Aisles and doorways should be kept clear and should be wide enough to allow rapid use of hose reel carts or other mobile equipment.

15.10 When it becomes necessary to build a fire location where there is the possibility of its propagating beyond control, a portable fire extinguisher should be made available. The fire must be watched closely, and it must be extinguished if left unattended.

15.11 Do not discard cigarette butts or matches carelessly. Always use ashtrays or other suitable containers.

15.12 Do not obstruct fire exits. Exit doors must be well marked and must not be locked and routes to nearest exits (through doors, windows, ladderways, etc.) must be easily accessible.

15.13 It is prohibited to obstruct or render in operative fire fighting equipment such as fire hydrants, extinguishers, hose racks, water sprinklers, etc.

15.14 It is prohibited to use fire hose from hydrant booths for purposes other than combating fire without proper authorization from the Safety Officer or the Environmental Management and Safety Department.

15.15 Oily waste rags, etc. are likely to ignite, spontaneously and they should be disposed of in metal cans with self-closing covers. They should be emptied daily.

15.16 All rubbish shall be cleared from buildings daily and work areas will be maintained free from accumulation of combustible debris.

15.17 Temporary high voltage wires shall not be run above storage piles or combustible materials.

15.18 Do not overload electric circuit by connecting several appliances at the same time.

15.19 Do not tamper with fuses, as increasing their rated capacity produces dangerous overheating of the fire system.

15.20 Flashlights and electric lanterns used in connection with handling of flammable materials shall be the type approved by the Underwriter's Laboratories, Inc.

15.21 Purging-Gas Freeing: No person shall be permitted to enter a storage tank, tank truck or other vessel has been properly purged and ventilated. After purging and venting, a test shall be made for gas. If the vessel is not gas free, purging and venting shall be repeated.

15.22 All persons entering storage tanks, tank trucks or other vessels, which have contained flammable liquids or gases shall be provided with necessary protective clothing, approved air fed masks, safety belts and lifelines. An attendant shall be stationed at the entrance to such tank or vessel.

15.23 No welding, cutting, riveting or other hot work and no mechanical repairs shall be performed on a storage tank, gasoline truck or other vessel which has contained flammables until such vessels has been properly purged and ventilated. After purging and venting a test for gas.

15.24 Welding, riveting or other hot work on tanks or containers that have contained flammable liquids of gases shall be performed only by men experienced in such work.

15.25 All tools used in explosive atmospheres shall be of non-sparking variety.

Flammable and Combustible Liquids

15.26 All storage, handling or use of flammables shall be under the supervision of qualified persons. No one shall be permitted to handle or use flammables until he has been instructed in the safe handling and use of it.

15.27 Do not handle or store flammable liquids in bottle open cans, etc. Approved safety containers wit appropriate markings with hermetic sealing device must be used for this purpose.

15.28 Smoking and carrying of spark-producing device should not be permitted in an area where flammab liquids are stored, handled or used or where loading o unloading operations are performed.

15.29 If any flammable liquid is spilled it should be cleane up immediately.

15.30 If flammable liquids are extensively use i considerable quantity heating arrangements shoul avoid the use of open gas burners.

15.31 Where necessary trays should be provided to retai accidentally spilled flammable liquid and to prevent i from flowing from a place of safety to a place it coul become ignited.

15.32 Workers should be protected from the mist or spray a well as from contact with combustible liquids.

15.33 Control valves on equipment containing flammabl liquids should be identified by color or tag or both.

15.34 Gasoline should be prohibited for all cleanin purposes.

15.35 Continuously operating equipment should be fuele from properly protected tanks located outside th machine room.

15.36 Prevent mixture of flammable liquids through proper identification.

15.37 Storage tanks and systems should be electrically bonded and grounded in an approved manner.

15.38 All storage tanks shall be equipped with proper relief vents.

15.39 All storage tanks above ground shall be diked, curbed or other suitable means provided to prevent the spread of liquids to other property in case of rapture in tank or piping. Such diked or curbed area shall have a capacity equal in volume to that of the tank.

15.40 Outlets from storage tanks above ground shall be equipped with quick-closing valves.

15.41 All gasoline trucks shall be properly bonded and grounded while being loaded or unloaded. Bonding and grounding connections shall be made before dome covers are removed on trucks and shall not be disconnected until such covers have been replaced. Internal vapor pressure shall be relieved before dome covers are opened.

15.42 Accumulation of flammable materials on floors, walls, etc. shall not be permitted.

15.43 Bungs, caps or stoppers shall not be left out of drums, barrels or other flammable liquid containers. This rule also applies to empty containers.

15.44 All tanks, hoses and containers shall be kept in metallic contact (Bonded) while flammable liquids are being poured.

15.45 Approved type fire extinguishers shall be provided at all locations where flammable are stored, processed or used.

Portable and Manual Fire Control Equipment

15.46 Portable fire extinguishers shall be conspicuously located and mounted where they will be readily accessible. Extinguishers shall not be obstructed or obscured from view at any time.

15.47 The extinguishers must be located close to the likely hazards, but not so close that it would be damaged or cut-off by the fire.

15.48 Portable fire extinguishers suitable to the conditions and hazards involve shall be provided and maintained in an effective operating condition.

15.49 Portable fire extinguishers shall be given maintenance service at least once a moth with a durable tag securely attached to show the maintenance or recharged date.

15.50 Fire alarm system and other fire fighting equipment should be regularly checked.

15.51 All workers and employees should endeavor to learn how to operate and use a fire extinguisher effectively and should also know their location.

are of Fire Hose

5.52 Hose lines should be made available for immediate use, should not be obstructed nor made inaccessible.

5.53 Hose should be so arranged that it would not kink or tangle when pulled out.

5.54 Fire hoses should be reserved for fighting fires.

5.55 Hose lines should be inspected and tested regularly including its accessories like valves, nozzles and couplings. Any defect noticed thereon should be corrected immediately.

CHAPTER 16 – VEHICLE and LAND TRAFFIC SAFETY

16.1 No employee shall operate a company motor vehicle unless he is duly authorized.

16.2 Driving personnel shall familiarize them with and obey motor vehicle laws as well as standard road signs.

16.3 Unauthorized passengers shall not be permitted to ride on company vehicles.

16.4 It shall be the duty and responsibility of driving personnel to conduct inspection to the vehicle assigned to him, and to make the necessary job request for the repair of defects noted.

16.5 Drivers shall observe authorized passenger seating capacity as indicated on the vehicle registration certificate.

16.6 Driver shall not permit anyone to ride on the running boards, fenders and tailboards of vehicles.

16.7 No passenger shall get on or off a company vehicle while it is in motion.

16.8 Passenger shall board and alight from the vehicle in the curbside.

16.9 Fire trucks, police and ambulances shall be given the right of way all the time.

16.10 Drivers shall not leave the seat of the vehicle while the motor is running unless he shifts to neutral and sets the hand-break.

Safe Driving

In addition to the provisions, rules and regulations of the Bureau of Land Transportation and the Traffic Code, every employee who is authorized to drive company vehicles are required to observe the following safe driving practices:

16.11 Driving personnel shall practice the defensive driving techniques at all times.

16.12 Reckless driving shall not be tolerated. Cars and trucks must observe the speed limits.

16.13 All railroads must be approached with caution. Always expect trains to move at any time, on any tract in either direction. At railroad crossing, look in both directions as you approach to be sure that it is safe to make the crossing. Unless you have a clear view in each direction, reduce your speed so that you can easily stop before reaching the crossing if necessary.

16.14 When visibility is poor, the front and rear lights of all vehicles in motion shall be turned on.

16.15 Drivers often fail to see pedestrians crossing from the right immediately ahead of the truck, hence, the requirement to blow the horn twice before starting forward.

16.16 Where a number of men are working in various type of equipment are used, the driver should call upon another employee to signal whether or not the path is clear before backing or making any other movement.

16.17 Do not run any electrical cable or run into any low hanging wire.

16.18 Driver's attention should not wander, either through constant conversation or sightseeing. Driver must use cautions and common sense under all conditions.

16.19 Do not pass other vehicles going in the same direction in the brow of a hill, on a curve or in the face of an approaching car.

16.20 Be on alert for signal from other driver, police, traffic signs, etc.

16.21 Vehicular road crossings and pedestrian passageways must not be unnecessarily blocked by vehicle. Cars must not be switched over such crossings unless with utmost safety. Cars must not be left standing on vehicular crossings or bridges.

Parking Area and Garage

16.22 Comply strictly with parking rules. When parking downhill, be sure to turn front wheels to the right toward curb or side of the road, and leave vehicle in reserve gear. When parking uphill, be sure to turn front wheels to the left, rear part of front tire toward curb, and leave vehicle in low gear. If without curb, turn front wheels toward right or side of road, and leave vehicle in low gear when headed uphill.

16.23 Make sure parking does not encroach on fire hydrant zones, clearance spaces for island, pedestrian lanes and intersections.

16.24 Vehicles left standing on any grade or inclined track must be properly secured or blocked.

16.25 Motor vehicles should not be parked against the flow of traffic.

16.26 Stop before entering or leaving garage, then drive slowly with caution.

16.27 A break test shall be made before leaving garage or within the first block after leaving garage. If brakes are not functioning properly, return vehicle to the garage for the immediate attention. Any other condition found to be faulty should be handled in the same manner.

16.28 Thoroughly familiarize yourself with the controls of a vehicle before attempting to operate it.

16.29 Avoid running motor idle in closed garage unless a pipe or hose connection is provided from the exhaust to the open air to a suitable exhaust system to carry off carbon monoxide gas.

16.30 Upon returning a vehicle to the garage, any condition requiring attention shall be reported.

16.31 Smoking and the use of unnecessary open flames in garage or while working on vehicles are prohibited. Use only properly guarded extension lights or flashlights.

Loading and Unloading of Trucks

16.32 Overloading should not be allowed. Load should be properly distributed, secured in place and not piled over the allowable height to maintain stability.

16.33 Loads, which may shift, should be blocked or lashed. The downs (ropes, chains) should be tightened on the right side or top of the load.

16.34 Before loading or unloading a truck, the brakes must be securely set or the wheels blocked.

16.35 Any load projection beyond bodyline should be properly secured before transport and should be provided with red flags.

Reporting Traffic Accidents Involving Company Vehicles

16.36 A driver who is involved in an accident shall immediately report to his supervisor what has actually happened, the extent and causes of the accident. Adhere strictly to the requirements of the accident form, which every vehicle must carry at all time.

16.37 Even in cases involving bare contact between vehicle, it is important that a policemen's shield number and as many witness as possible be secured as damage claims are often made on the basis of shock to passengers. Cases not involving any apparent personal injury or property damage must be reported just as accurately as a serious accident.

Roxas & Company, Inc.

A N N E X "G"

RCI Revised Manual on Corporate Governance

Roxas & Company, Inc.

REVISED MANUAL ON CORPORATE GOVERNANCE

ARTICLE 1: INTRODUCTION

The Board of Directors, Management, Officers and Staff of **ROXAS AND COMPANY, INC.** hereby commit themselves to the principles and best practices contained in this Manual and acknowledge that these principles and practices will guide them in the attainment of the corporation's goals. The corporation continues to adhere to its Mission and Vision Statements as well as its Core Values which all form an integral part of this Manual.

ARTICLE II: VISION AND MISSION STATEMENT AND CORE VALUES

VISION STATEMENT

Roxas and Company, Inc. aims to be a premier publicly-listed holding firm with investments in the country's leading sugarcane-based solutions provider and property development businesses.

We strive to be a leader in all our business undertakings, empowering lives and delivering value to our stakeholders.

MISSION STATEMENT

We commit to the following mission:

- To maintain businesses that deliver superior results to customers and other stakeholders
- To deliver long-term growth in shareholder value
- To be a responsible corporate citizen by participating in nation- and community-building
- To ensure that our businesses promote environmental protection and sustainable development practices
- To provide a nurturing environment to develop and empower our people

CORE VALUES

R – Resiliency and **R**eliability
O – Observance of Good Corporate Governance Practices
X – e**X**cellence and Innovation
A – Accountability and Integrity
S – Social Responsibility and Nation-Building

ARTICLE 3: BOARD GOVERNANCE

The Board of Directors (the "Board") is primarily responsible for the governance of the corporation. Corollary to setting the policies for the accomplishment of the corporate objectives, it shall provide an independent check on Management.

3.1. Composition of the Board

3.1.1. The Board shall be composed of nine (9) members who are elected by the stockholders entitled to vote at the annual meeting and shall hold office for one year and until their successors are elected and qualified in accordance with the By-Laws of the corporation. The corporation shall have at least two (2) independent directors.

3.1.2. The membership of the Board may be a combination of executive and non-executive directors, which include independent directors, in order that no director or small group of directors can dominate the decision-making process. The non-executive directors should possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.

3.2. Qualifications of Directors

3.2.1. In addition to the qualifications for membership in the Board provided for in the Corporation Code and other relevant laws, the members of the Board should possess the following qualifications:

3.2.1.1. Holder of at least one thousand (1,000) shares of stock of the corporation;

3.2.1.2. At least a college graduate or have sufficient experience in managing the business to substitute for such formal education;

3.2.1.3. At least twenty one (21) years old;

3.2.1.4. Possesses integrity and probity; and

3.2.1.5. Assiduous.

3.2.2. The Board may likewise provide for the following additional qualifications for membership in the Board:

3.2.2.1. Practical understanding of the business of the corporation;

3.2.2.2. Membership in good standing in relevant industry, business or professional organizations; and

3.2.2.3. Previous business experience.

3.3. **Disqualification of Directors**

3.3.1. *Permanent Disqualification*. The following shall be grounds for the permanent disqualification of a director:

3.3.1.1. Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as identified in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;

3.3.1.2. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Securities and Exchange Commission ("Commission") or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above or willfully violating the laws that govern securities and banking activities.

The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or *Bangko Sentral ng Pilipinas* ("BSP"), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;

3.3.1.3. Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;

3.3.1.4. Any person who has been adjudged by final judgment or order of the Commission, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, included or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the Commission of BSP, or any of its rule, regulation or order;

3.3.1.5. Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation;

3.3.1.6. Any person judicially declared as insolvent;

3.3.1.7. Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs (i) to (v) above;

3.3.1.8. Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to date of his election or appointment.

3.3.2. *Temporary Disqualification*. The Board may provide for the temporary disqualification of a director for any of the following reasons:

3.3.2.1. Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists;

3.3.2.2. Absence in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election;

3.3.2.3. Dismissal or termination for cause as director of any corporation covered by this Code. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination;

3.3.2.4. If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds two percent of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with;

3.3.2.5. If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.

3.4. **Responsibilities, Duties and Functions of the Board**

3.4.1. *General Responsibility*. It is the Board's responsibility to foster the long-term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders. The Board shall formulate the corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.

3.4.2. *Duties and Functions*. To ensure a high standard of best practice for the corporation and its stockholders, the Board shall conduct itself with honesty and integrity in the performance of, among others, the following duties and functions:

3.4.2.1. Implement a process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies. Appoint competent professional, honest and highly-motivated management officers. Adopt an effective succession planning program for Management.

3.4.2.2. Provide sound strategic policies and guidelines to the corporation on major capital expenditures. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance.

3.4.2.3. Ensure the corporation's faithful compliance with all applicable laws, regulations and best business practices.

3.4.2.4. Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the corporation. If feasible, the corporation's CEO or Chief Financial Officer ("CFO") or his equivalent shall exercise oversight responsibility over this program.

3.4.2.5. Identify the sectors in the community in which the corporation operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them.

3.4.2.6. Adopt a system of check and balance within the Board. A regular review of the effectiveness of such system shall be conducted to ensure the integrity of the decision-making and reporting processes at all times. There shall be a continuing review of the corporation's internal control system in order to maintain its adequacy and effectiveness.

3.4.2.7. Identify key risk areas and performance indicators and monitor these factors with due diligence to enable the corporation to anticipate and prepare for possible threats to its operational and financial viability.

3.4.2.8. Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board.

3.4.2.9. Constitute an Audit Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities.

3.4.2.10. Establish and maintain an alternative dispute resolution system in the corporation that can amicably settle conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including the regulatory authorities.

3.4.2.11. Meet at such times or frequency as may be needed. The minutes of such meetings shall be duly recorded. Independent views during Board meetings shall be encouraged and given due consideration.

3.4.2.12. Keep the activities and decisions of the Board within its authority under the articles of incorporation and by-laws, and in accordance with existing laws, rules and regulations.

3.4.2.13. Appoint a Compliance Officer who shall have the rank of at least vice president. In the absence of such appointment, the Corporate Secretary, preferably a lawyer, shall act as Compliance Officer.

3.4.3. *Internal Control Responsibilities*. The Board shall continue and enhance its internal control environment by observing the following measures:

3.4.3.1. Adoption and improvement of minimum internal control mechanisms for the performance of the Board's oversight responsibility including, but not limited to, the following:

i. Definition of the duties and responsibilities of the CEO who is ultimately accountable for the corporation's organizational and operational controls;
ii. Selection of the person who possesses the ability, integrity and expertise essential for the position of CEO;
iii. Evaluation of proposed senior management appointments;
iv. Selection and appointment of qualified and competent management officers; and
v. Review of the corporation's human resource policies, conflict of interest situations, compensation program for employees, and management succession plan.

3.4.3.2. Formulation, implementation and enhancement of systems of effective organizational and operational controls depending on the following factors: nature and complexity of the business and the business culture; volume, size and complexity of transactions; degree of risks involved; degree of centralization and delegation of authority; extent and effectiveness of information technology; and extent of regulatory compliance.

3.4.3.3. Establishment of an internal audit system that can reasonably assure the Board, Management and stockholders that the Corporation's key organizational and operational controls are faithfully complied with. The Board shall appoint an Internal Auditor to perform the audit function, and may require him to report to a level in the organization that allows the internal audit activity to fulfill its mandate. The Internal Auditor shall be guided by the International Standards on Professional Practice of Internal Auditing.

3.5. **Specific Duties and Responsibilities of a Director**

3.5.1. A director's office is one of trust and confidence. A director shall act in the best interest of the corporation in a manner characterized by transparency, accountability and fairness. He shall also exercise leadership, prudence and integrity in directing the corporation towards sustained progress.

3.5.2. A director shall observe the following norms of conduct:

3.5.2.1. *Conduct fair business transactions with the corporation, and ensure that his personal interest does not conflict with the interests of the corporation*.

The basic principle to be observed is that a director shall not use his position to profit or gain some benefit or advantage for himself and/or his related interests. He shall avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a director, he shall fully and immediately disclose it and shall not participate in the decision-making process. A director who has a continuing material conflict of interest shall seriously consider resigning from his position.

A conflict of interest shall be considered material if the director's personal or business interest is antagonistic to that of the corporation, or stands to acquire or gain financial advantage at the expense of the corporation.

3.5.2.2. *Devote the time and attention necessary to properly and effectively perform his duties and responsibilities*.

A director shall devote sufficient time to familiarize himself with the corporation's business. He shall be constantly aware of and knowledgeable with the corporation's operations to enable him to meaningfully contribute to the Board's work. He shall attend and actively participate in Board and committee meetings, review meeting materials and, if called for, ask questions or seek explanation.

3.5.2.3. *Act judiciously*.

Before deciding on any matter brought before the Board, a director shall carefully evaluate the issues and, if necessary, make inquiries and request clarification.

3.5.2.4. *Exercise independent judgment*.

A director shall view each problem or situation objectively. If a disagreement with other directors arises, he shall carefully evaluate and explain his position. He shall not be afraid to take an unpopular position. Corollarily, he shall support plans and ideas that he thinks are beneficial to the corporation.

3.5.2.5. *Have a working knowledge of the statutory and regulatory requirements that affect the corporation, including its articles of incorporation and by-laws, the rules and regulations of the Commission and, where applicable, the requirements of relevant regulatory agencies*.

A director shall also keep abreast with industry developments and business trends in order to promote the corporation's competitiveness.

3.5.2.6. *Observe confidentiality*.

A director shall keep secure and confidential all non-public information he may acquire or learn by reason of his position as director. He shall not reveal confidential information to unauthorized persons without the authority of the Board.

3.6. **Board Meetings and Quorum Requirement**

3.6.1. The members of the Board shall attend its regular and special meetings in person or through teleconferencing conducted in accordance with the rules and regulations of the Commission.

3.6.2. Independent directors shall always attend Board meetings. Unless otherwise provided in the by-laws, their absence shall not affect the quorum requirement. However, the Board may, to promote transparency, require the presence of at least one independent director in all its meetings.

3.7. **Board Committees**

The Board shall maintain the following committees to assist it in good corporate governance:

3.7.1. **Audit Committee.**

The Audit Committee shall consist of at least three (3) directors, who shall preferably have accounting and finance backgrounds, one of whom shall be an independent director and another with audit experience. The chair of the Audit Committee shall be an independent director. The committee shall have the following functions:

3.7.1.1. Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations;

3.7.1.2. Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the corporation. This function shall include regular receipt from Management of information on risk exposures and risk management activities;

3.7.1.3. Perform oversight functions over the corporation's internal and external auditors. It shall ensure that the internal and external auditors act independently from each other and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;

3.7.1.4. Review the annual internal audit plan to ensure its conformity with the objectives of the corporation. The plan shall include the audit scope, resources and budget necessary to implement it;

Roxas & Company, Inc.

3.7.1.5. Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;

3.7.1.6. Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;

3.7.1.7. Monitor and evaluate the adequacy and effectiveness of the corporation's internal control system, including financial reporting control and information technology security;

3.7.1.8. Review the reports submitted by the internal and external auditors;

3.7.1.9. Review the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters:

i. Any change/s in accounting policies and practices
ii. Major judgmental areas
iii. Significant adjustments resulting from the audit
iv. Going concern assumptions
v. Compliance with accounting standards
vi. Compliance with tax, legal and regulatory requirements.

3.7.1.10. Coordinate, monitor and facilitate compliance with laws, rules and regulations;

3.7.1.11. Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the corporation's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, shall be disclosed in the corporation's annual report.

3.7.1.12. Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit Committee.

3.7.1.13. The Audit Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties.

3.7.2. **Nomination Committee.**

The Nomination Committee shall be composed of at least three (3) voting Directors, one of whom must be an independent director. The committee shall have the following functions:

3.7.2.1. It shall review and evaluate the qualifications of, and shortlist, all persons nominated to the Board and other appointments that require Board approval.

3.7.2.2. It shall assess the effectiveness of the Board's processes and procedures in the election or replacement of directors.

3.7.2.3. It shall consider the following guidelines in the determination of the capability of a director to serve as such:

i. The nature of the business of the corporation of which he is a director;
ii. Age of the director;
iii. Number of directorships/active memberships and officers in other corporations or organizations; and
iv. Possible conflict of interest.

Any optimum number of directorships shall be related to the capacity of a director to perform his duties diligently in general.

3.7.2.4. The CEO and other executive directors shall submit themselves to a low indicative limit on membership in other corporate boards. The same low limit shall apply to independent, non-executive directors who serve as full-time executives in other corporations. In any case, the capacity of directors to serve diligently shall not be compromised.

3.7.2.5. The findings and recommendations of the Nomination Committee shall be submitted to the Board for approval; Provided that a director whose qualifications are in issue shall not have the right to vote when the Board considers his case.

3.7.3. **Executive Compensation Committee.**

The Executive Compensation Committee shall be composed of at least three (3) voting Directors, one of whom must be an independent director. The committee shall have the following functions:

3.7.3.1. It shall establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors and provide oversight over remuneration of senior management and other key personnel to ensure that their compensation is consistent with the Corporation's culture, strategy and control environment;

3.7.3.2. Designate the amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the company successfully, subject to approval of the Board of Directors;

3.7.3.3. Develop a form on Full Business Interest Disclosure as part of pre-employment requirements for all incoming officers, which, among others, shall compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of the duties once hired;

3.7.3.4. Disallow any director to decide his or her own remuneration;

3.7.3.5. Provide in the Corporation's annual reports prescribed by the Commission, information and proxy statements a clear, concise and understandable disclosure of all fixed and variable compensation that may be paid, directly or indirectly, to its directors and top four (4) management officers during the preceding fiscal year;

3.7.3.6. Review of existing Human Resources Development or Personnel Handbook to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be met periodically in their respective posts.

3.8. **The Chairman of the Board**

3.8.1. The duties and responsibilities of the Chairman in relation to the Board include, among others, the following:

3.8.1.1. Ensure that the meetings of the Board are held in accordance with the by-laws or as he may deem necessary;

3.8.1.2. Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the Chief Executive Officer ("CEO"), Management and the directors; and

3.8.1.3. Maintain qualitative and timely lines of communication and information between the Board and Management.

3.8.2. The roles of the Chairman and CEO shall, as much as practicable, be separate to foster an appropriate balance or power, increased accountability and better capacity for independent decision-making by the Board. A clear delineation of functions shall be made between the Chairman and CEO upon their election. If the positions of the Chairman and CEO are unified, the proper checks and balances shall be laid down to ensure that the Board gets the benefit of independent views and perspectives.

3.9. **The Corporate Secretary**

The Corporate Secretary, who should be a Filipino citizen and a resident of the Philippines, is an officer of the corporation. He shall have the following responsibilities:

3.9.1. Be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the corporation;

3.9.2. Be loyal to the mission, vision and objectives of the corporation;

3.9.3. Work fairly and objectively with the Board, Management and stockholders;

3.9.4. Have appropriate administrative and interpersonal skills;

3.9.5. If he is not at the same time the corporation's legal counsel, be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities;

3.9.6. Have a working knowledge of the operations of the corporation;

3.9.7. Inform the members of the Board, in accordance with the by-laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;

3.9.8. Attend all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent him from doing so;

3.9.9. Ensure that all Board procedures, rules and regulations are strictly followed by the members; and

3.9.10. If he is also the Compliance Officer, perform all the duties and responsibilities of the said officer as provided for in this Manual.

3.9.11. Submit to the Commission, on or before January 30 of the following year, a sworn certification about the directors' record of attendance in Board meetings. The certification may be submitted through SEC Form 17-C or in a separate filing.

3.10. **The Compliance Officer**

The Board shall appoint a Compliance Officer who shall report directly to the Chairman of the Board. He shall perform the following duties:

3.10.1. Monitor compliance by the corporation with this Manual and the rules and regulations of regulatory agencies and, if any violations are found, report the matter to the Board and recommend the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation;

3.10.2. Appear before the Commission when summoned in relation to compliance with this Code; and

3.10.3. Issue a certification every January 30th of the year on the extent of the corporation's compliance with this Code for the completed year and, if there are any deviations, explain the reason for such deviation.

ARTICLE 4: ADEQUATE AND TIMELY INFORMATION

To enable the members of the Board to properly fulfill their duties and responsibilities, Management shall provide them with complete, adequate and timely information about the matters to be taken in their meetings.

Reliance on information volunteered by Management would not be sufficient in all circumstances and further inquiries may have to be made by a member of the Board to enable him to properly perform his duties and responsibilities. Hence, the members shall be given independent access to Management and the Corporate Secretary.

The information may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

The members either individually or as a Board, and in furtherance of their duties and responsibilities, shall have access to independent professional advice at the corporation's expense.

ARTICLE 5: ACCOUNTABILITY AND AUDIT

5.1. The Board is primarily accountable to the stockholders. It shall provide them with a balanced and comprehensible assessment of the corporation's performance, position and prospects on a quarterly basis including interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law. Thus, it is essential that Management provide all members of the Board with accurate and timely information that would enable the Board to comply with its responsibilities to the stockholders.

5.2. Management shall, under the supervision of the Audit Committee, formulate the rules and procedures on financial reporting and internal control in accordance with the following guidelines:

5.2.1. The extent of its responsibility in the preparation of the financial statements of the corporation, with the corresponding delineation of the responsibilities that pertain to the external auditor, shall be clearly explained;

5.2.2. An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the corporation shall be maintained;

5.2.3. On the basis of the approved audit plans, internal audit examinations shall cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the corporation's governance, operations and information systems, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets and compliance with contracts, laws, rules and regulations;

5.2.4. The corporation shall consistently comply with the financial reporting requirements of the Commission.

5.3. **External Auditor.**

5.3.1. The Board, after consultations with the Audit Committee, shall recommend to the stockholders an external auditor duly accredited by the Commission who shall undertake an independent audit of the corporation and shall provide an objective assurance on the manner by which the financial statements shall be prepared and presented to the stockholders.

5.3.2. The external auditor shall not, at the same time, provide internal audit services to the corporation.

5.3.3. Non-audit work may be given to the external auditor, provided it does not conflict with his duties as an independent auditor, or does not pose a threat to his independence.

5.3.4. The external auditor shall be rotated or changed every five (5) years or earlier, or the signing partner of the external auditing firm assigned to the corporation, shall be changed with the same frequency.

5.3.5. If the external auditor resigns, is dismissed or ceases to perform his services, the reason/s for and the date of effectivity of such action shall be reported in the corporation's annual and current reports. The report shall include a discussion of any disagreement between him and the corporation on accounting principles or practices, financial disclosures of audit procedures which the former auditor and the corporation failed to resolve satisfactorily. A preliminary copy of the said report shall be given by the corporation to the external auditor before its submission.

5.3.6. If the external auditor believes that any statement made in an annual report, information statement or any report filed with the Commission or any regulatory body during the period of his engagement is incorrect or incomplete, he shall give his comments or views on the matter in the said reports.

5.4. **Internal Auditor.**

5.4.1. The corporation shall have in place an independent internal audit function which shall be performed by an Internal Auditor or a group of Internal Auditors through which its Board, Management and Stockholders shall be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate and complied with.

5.4.2. The Internal Auditor shall submit to the Audit Committee and Management an annual report on the internal audit department's activities, responsibilities and performance relative to the audit plans and strategies as approved by the Audit Committee. The annual report shall include significant risk exposures, control issues and such other matters as may be needed or requested by the Board and Management. The Internal Auditor shall certify that he conducts his activities in accordance with the International Standards on the Professional Practice of Internal Auditing. If he does not, he shall disclose to the Board and Management the reasons why he has not fully complied with the said standards.

ARTICLE 6: TRAINING PROCESS

6.1. If necessary, funds shall be allocated by the Board upon recommendation of the CFO or his equivalent officer for the purpose of conducting an orientation program or workshop to operationalize this Manual.

6.2. A director shall, before assuming as such, be required to attend a seminar on corporate governance which shall be conducted by a duly recognized private or government institute.

ARTICLE 7: STOCKHOLDERS' RIGHTS AND PROTECTION OF MINORITY STOCKHOLDERS' INTERESTS

7.1. The Board shall respect the rights of the stockholders as provided for in the Corporation Code, namely:

7.1.1. *Voting Right*.

7.1.1.1. Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.

7.1.1.2. Cumulative voting shall be used in the election of directors.

7.1.1.3. A director shall not be removed without cause if it will deny minority shareholders representation in the Board.

7.1.2. *Pre-emptive Right*.

All stockholders shall have pre-emptive rights in accordance with law, unless the same is denied in the Articles of Incorporation or an amendment thereto. They shall have the right to subscribe to the capital stock of the corporation. The Articles of Incorporation shall lay down the specific rights and powers of stockholders with respect to the particular shares they hold, all of which shall be protected by law so long as they shall not be in conflict with the Corporation Code.

7.1.3. *Power of Inspection*.

All stockholders shall be allowed to inspect corporate books and records including minutes of the Board meetings and stock registries in accordance with the Corporation Code and shall be furnished with annual reports, including financial statements, without cost or restrictions.

7.1.4. *Right to Information*.

7.1.4.1. The stockholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the corporation's shares, dealings with the corporation, relationships among directors and key officers and the aggregate compensation of directors and officers.

7.1.4.2. The minority stockholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda provided the items are for legitimate business purposes, and in accordance with law, jurisprudence and best practice.

7.1.4.3. The minority stockholders shall have access to any and all information relating to matters for which the management is accountable for. If not included, then the minority stockholders shall be allowed to propose such matters in the agenda of a stockholders' meeting, being within the definition of "legitimate purposes" and in accordance with law, jurisprudence and best practice.

7.1.5. *Right to Dividends*.

7.1.5.1. Stockholders shall have the right to receive dividends subject to the discretion of the Board.

7.1.5.2. The corporation shall be compelled to declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital stock, except: a) when justified by definite corporate expansion projects or programs approved by the Board or b) when the corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation, such as when there is a need for special reserve for probable contingencies.

7.1.6. *Appraisal Right*.

The stockholders shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under Section 82 of the Corporation Code of the Philippines, under any of the following circumstances:

7.1.6.1. In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;

7.1.6.2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets provided in the Corporation Code; and

7.1.6.3. In case of merger or consolidation.

7.2. The Board shall continue to be transparent and fair in the conduct of the annual and special stockholders' meetings of the corporation. The stockholders shall be encouraged to personally attend such meetings. If they cannot attend, they shall be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the by-laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy shall be resolved in the stockholder's favor.

7.3. It is the duty of the Board to promote the rights of the stockholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights.

7.4. The Board shall take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy. Accurate and timely information shall be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

7.5. Although all stockholders shall be treated equally or without discrimination, the Board shall give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the corporation.

ARTICLE 8: DISCLOSURE AND TRANSPARENCY

8.1. All material information about the corporation which could adversely affect its viability or the interests of the stockholders shall be publicly and timely disclosed. Such information shall include among others, earnings results, acquisition or disposition of assets, off balance sheet transactions, related party transactions and direct and indirect remuneration of members of the Board and Management. All such information shall be disclosed through the appropriate Exchange mechanisms and submissions to the Commission.

8.2. The reports or disclosures required under this Manual shall be prepared and submitted to the Commission by the responsible Committee or Officer through the Corporation's Compliance Officer;

8.3. All disclosed information shall be released via the approved stock exchange procedure for company announcements as well as through the annual report.

8.4. The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information for the interest of the stakeholders.

8.5. This manual shall be available for inspection by any stockholder of the Corporation at reasonable times on business days.

8.6. The Compliance Officer shall provide copies of the Manual to all directors, division and department heads to ensure the thorough dissemination of this Manual to all employees and related third parties, and to likewise enjoin compliance in the process.

8.7. An adequate number of printed copies of this Manual must be reproduced under the supervision of the Compliance Officer, with a minimum of at least one (1) hard copy of the Manual per department.

ARTICLE 9: MONITORING AND ASSESSMENT

9.1. Each committee shall report regularly to the Board of Directors.

9.2. The Compliance Officer shall establish an evaluation system to determine and measure compliance with this Manual. Any violation thereof shall subject the responsible officer or employee to the penalty provided under Article 10 of this Manual.

9.3. The establishment of such evaluation system, including the features thereof, shall be disclosed in the Corporation's annual report (SEC Form 17-A) or in such form of report that is applicable to the Corporation. The adoption of such performance evaluation system must be covered by a Board approval.

9.4. This Manual shall be subject to periodic review by the Board.

9.5. All business processes and practices being performed within any department or business unit of the Corporation that are not consistent with any portion of this Manual shall be revoked unless upgraded to the compliant extent.

ARTICLE 10: PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL.

10.1. To strictly observe and implement the provisions of this Manual, the following penalties shall be imposed, after notice and hearing, on the corporation's directors, officers, staff, subsidiaries and affiliates and their respective directors, officers and staff in case of violation of any of the provision of this Manual:

10.1.1. In case of **first violation**, the subject person shall be reprimanded.

10.1.2. Suspension from office shall be imposed in case of a **second violation**. The duration of the suspension shall depend on the gravity of the violation.

10.1.3. For a **third violation**, the maximum penalty of removal from office shall be imposed.

10.2. The commission of a third violation of this Manual by any member of the Board of the Corporation or its subsidiaries and affiliates shall be a sufficient cause for removal from directorship, subject to the provisions of the Corporation Code.

10.3. The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation for further review and approval by the Board.

Signed:

PEDRO E. ROXAS
Executive Chairman
Roxas and Company, Inc.

Roxas & Company, Inc.

A N N E X "H"

Roxaco Employee Handbook

ROXACO
LAND CORPORATION

EMPLOYEE HANDBOOK
Revised 2010

PURPOSE OF MANUAL
(Revised May 2010)

The information contained in this Employees' Handbook is presented for the benefit of all employees of Roxaco Land Corporation (Roxaco). The intention is to furnish as much information as possible concerning what benefits and compensation, the employees can expect from Roxaco, and what Roxaco expects from its employees. It is the employees' responsibility to familiarize themselves with all the benefits and compensation contained in the Handbook. New and additional benefits and compensation schemes may be amended, altered and/or repealed as the case may be.

COMPANY PROFILE

Roxaco Land Corporation, a wholly owned subsidiary of Roxas and Company, Inc. was incorporated on April 26, 1988 by the officers of Roxas and Company, Inc. led by its Chairman of the Board Antonio J. Roxas, Vice Chairman Eduardo J. Roxas and Executive Vice President and Treasurer Mr. Pedro E. Roxas, for the purpose of acquiring real estate for investment, development and/or sale.

The directors of the Corporation (as of 2010) are as follows:

Antonio J. Roxas
Pedro E. Roxas
Beatriz O. Roxas
Francisco Jose R. Elizalde
Francisco F. Del Rosario

The officers of the Corporation are as follows:

Pedro E. Roxas	- Chairman
Francisco F. del Rosario	- President
Santiago R. Elizalde	- Senior Vice President

The Corporation is being managed by Roxas and Company, Inc. pursuant to a Management Agreement executed in January, 1995.

A. *STATUTORY/GOVERNMENT MANDATED BENEFITS*

1. ***Maternity Leave Benefit***

Every pregnant employee, whether married or unmarried, is entitled to maternity leave benefit of **sixty (60) days** in case of normal delivery or miscarriage, or **seventy-eight (78) days**, in case of Caesarian section delivery, with benefits equivalent to **one hundred percent (100%) of the average daily salary credit** of the employee as defined under the law. To be entitled to the maternity leave benefit, a female employee should be an SSS member employed at the time of her delivery or miscarriage; she must have given the required notification to the SSS through her employer; and her employer must have paid at least three monthly contributions to the SSS within the twelve-month period immediately before the date of the contingency (i.e., childbirth or miscarriage). The maternity leave benefit, like other benefits granted by the Social Security System (SSS), is granted to employees in lieu of wages. Thus, this may not be included in computing the employee‘s thirteenth-month pay for the calendar year.

The maternity leave shall be extended without pay on account of illness medically certified to arise out of the pregnancy, delivery, abortion or miscarriage, which renders the woman unfit for work, unless she has earned unused leave credits from which such extended leave may be charged.

The maternity leave shall be paid by the employer only for the first four (4) deliveries.

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2. ***Paternity Leave Benefit***

Paternity Leave is granted to all married male employees, regardless of their employment status. The purpose of this benefit is to allow the husband to lend support to his wife during her period of recovery and/or in nursing her newborn child.

Paternity leave benefit shall apply to the first four (4) deliveries of the employee‘s lawful wife with whom he is cohabiting. If the spouses are not physically living together because of the work station or occupation, the male employee is still entitled to the paternity leave benefit. The paternity leave shall be for seven (7) calendar days, with full pay.

3. ***Parental Leave for Solo Parents***

"Parental leave" means leave benefits granted to a solo parent to enable him/her to perform parental duties and responsibilities where physical presence is required.

"Solo parent" means any individual who falls under any of the following categories:

(1) A woman who gives birth as a result of rape and other crimes against chastity even without a final conviction of the offender: *Provided*, That the mother keeps and raises the child;

(2) Parent left solo or alone with the responsibility of parenthood due to death of spouse;

(3) Parent left solo or alone with the responsibility of parenthood while the spouse is detained or is serving sentence for a criminal conviction for at least one (1) year;

(4) Parent left solo or alone with the responsibility of parenthood due to physical and/or mental incapacity of spouse as certified by a public medical practitioner;

(5) Parent left solo or alone with the responsibility of parenthood due to legal separation or *de facto* separation from spouse for at least one (1) year, as long as he/she is entrusted with the custody of the children;

(6) Parent left solo or alone with the responsibility of parenthood due to declaration of nullity or annulment of marriage as decreed by a court or by a church as long as he/she is entrusted with the custody of the children;

(7) Parent left solo or alone with the responsibility of parenthood due to abandonment of spouse for at least one (1) year;

(8) Unmarried mother/father who has preferred to keep and rear her/his child/children instead of having others care for them or give them up to a welfare institution;

(9) Any other person who solely provides parental care and support to a child or children;

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(10) Any family member who assumes the responsibility of head of family as a result of the death, abandonment, disappearance or prolonged absence of the parents or solo parent.

A change in the status or circumstance of the parent claiming benefits under R.A. 8972 (Parent Leave for Solo Parent), such that he/she is no longer left alone with the responsibility of parenthood, shall terminate his/her eligibility for these benefits

The parental leave, in addition to leave privileges under existing laws, shall be for seven (7) work days every year, with full pay. A solo parent employee shall be entitled to the parental leave, provided that:

- He/she has rendered at least one (1) year of service, whether continuous or broken;
- He/she has notified his/her employer that he/she will avail himself/herself of it, within a reasonable period of time

In the event that the parental leave is not availed of, it shall not be convertible to cash

NOTE:
Parent with a live-in partner is not entitled for Parental Leave

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4. Overtime Pay

Employee who performed work in excess of a regular eight-hour schedule shall be entitled to an overtime pay equivalent to their basic hourly rate plus twenty five percent (25%).

*For overtime rendered during regular holidays, they shall be given overtime premium as follows:

a. If it is an employee's regular workday
- If worked - 1st 8 hours - 200%
- Excess of 8 hours - plus 30% of hourly rate on said day

b. If it is an employee's rest day
- If worked - 1st 8 hours - plus 30% of 200%
- Excess of 8 hours - plus 30% of hourly rate on said day

There are eleven (11) regular holidays in a year under Executive Order No. 203, as amended by Republic Act 9177, namely:
- New Year's Day - January 1
- Maundy Thursday - Movable Date
- Good Friday - Movable Date
- Araw ng Kagitingan - April 9
- Labor Day - May 1
- Independence Day - June 12
- National Heroes Day - Last Sunday of August
- Eidl Fitr - Movable Date
- Bonifacio Day - November 30
- Christmas Day - December 25
- Rizal Day - December 30

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NOTES:

a. Absences

All employees shall be entitled to holiday pay when they are on leave of absence with pay on the work day immediately preceding the regular holiday. Employees who are on leave of absence without pay on the day immediately preceding a regular holiday may not be entitled for holiday pay if they did not work on such regular holiday.

b. Successive Regular Holidays

Where there are two (2) successive regular holidays, like Maundy Thursday and Good Friday, an employee may not be entitled for both holidays if he/she absents himself/herself from work on the day immediately preceding the first holiday, unless he/she works on the first holiday, in which case he/she is entitled to his/her holiday pay on the 2nd holiday.

*For declared **special days** such as Special Non-Working Day, Special Public Holiday, Special National Holiday, in addition to the two nationwide special days (November 1, All Saints Day and December 31, Last Day of the Year), the following rules shall apply:

a. If unworked
- No pay.

b. If worked
- 1st 8 hours - plus 30% of the daily rate of 100%
- excess of 8 hours - plus 30% of hourly rate on said day

c. Falling on the employee's rest day and if worked

- 1st 8 hours - plus 50% of the daily rate of 100%
- excess of 8 hours - plus 30% of hourly rate on said day

5. <u>Night Differential</u>

Night Shift Differential (NSD) refers to the additional compensation of ten percent (10%) of an employee's regular wage for each hour of work performed between 10 p.m. and 6 a.m.

6. <u>13TH MONTH PAY</u>

The thirteenth-month pay shall not be less than one-twelfth (1/12) of the total basic salary earned by an employee in a calendar year. It does not include allowances and monetary benefits which are not considered or integrated as part of the regular or basic salary, such as the cash equivalent of unused vacation and sick leave credits, overtime, premium, night shift differential and holiday pay. The 13th month pay is paid not later than December 24 of every year.

7. <u>PHILHEALTH Benefits</u>

A unified benefit package for all PhilHealth members is being implemented which includes the following categories of personal health services:

a. **Inpatient hospital care:**

- Room and board;
- Services of health care professionals;
- Diagnostic, laboratory, and other medical examination services;
- Use of surgical or medical equipment and facilities;
- Prescription drugs and biological, subject to the limitations stated in Section 37 of RA 7875; and
- Inpatient education packages.

b. **Outpatient care:**

- Services of health care professionals;
- Diagnostic, laboratory, and other medical examination services;
- Personal preventive services;
- Prescription drugs and biological, subject to the limitations described in Section 37 of RA 7875; and

8. <u>PAG-IBIG Fund</u>

Home Mutual Development Fund, a premier and globally competitive provident financial institution that aims to uplift the quality of life of members through savings.

Under the law, it is mandatory for all employees covered by the SSS to become member of Pag-ibig Fund. Members who are earning P1,500 or below contribute 1% of their monthly basic pay, while those who are earning more than P1,500 contribute 2% of their basic pay or P100 whichever is higher. Employee may contribute higher up to maximum of P500 per month. Employer is required to match the employee's contribution up to P100 per month.

Benefits and Programs:

- Provident Savings Benefit
- HDMF Housing Bonds
- Housing Loan
- Provident Program
    - Multi-Purpose Loan
    - Calamity Loan

9. ***Social Security System (SSS)***

The company provides its employee a security net as being prescribed by the law upon employment through SSS which is a government organization that aims to promote social justice and provides meaningful protection to its members and their families against hazard of disability, sickness, maternity, old age, death and other contingencies resulting to loss of income or financial burden.

Benefits and Programs:

a. Sickness

Sickness benefit is a daily cash allowance paid for the number of days a member is unable to work due to sickness or injury. A member is qualified to avail himself/herself of this benefit if:

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- he/she is unable to work due to sickness or injury and is thus confined either in the hospital or at home for at least four days;
- he/she has paid at least three monthly contributions within the 12-month period immediately before the semester of sickness;
- he/she has used up all current company sick leaves with pay for the current year; and
- he/she has notified his/her employer

The amount of an employee's sickness benefit is computed as the daily sickness allowance times 90 per cent of the average daily salary credit

b. Maternity *(see no. 1)*

c. Disability

It is a cash benefit paid to a member who becomes permanently disabled, either partially or totally. A member who suffers partial or total permanent disability, with at least one (1) contribution paid to the SSS prior to the semester of contingency, is qualified.

The complete and permanent loss of use of any of the following parts of the body under permanent partial disability: one thumb, sight of one eye one, big toe, one index finger, hearing of one ear, one hand, one middle finger, hearing of both ears, one arm one ring finger, one foot, one ear, one little finger, one leg, both ears.

The following fall under permanent total disability:

- Complete loss of sight of both eyes;
- Loss of two limbs at or above the ankle or wrists;
- Permanent complete paralysis of two limbs;
- Brain injury causing insanity; and
- Other cases as determined and approved by the SSS.

Types of disability benefits:

- The monthly pension which is paid to a disabled member who has paid at least 36 monthly contributions to the SSS; and
- The lump sum amount which is granted to those who have not paid the required 36 monthly contributions.

d. *Retirement*

It is a cash benefit paid to a member who can no longer work due to old age.

A member is qualified to avail himself of this benefit if:

- He/she is 60 years old and unemployed and has paid at least 120 monthly contributions prior to the semester of retirement.
- He/she is 65 years old, whether employed or not. If employed he/she should have paid 120 monthly contributions prior to the semester of retirement, whether employed or not. The types of retirement benefits are:

  a. the monthly pension, and

  b. the lump sum amount. The monthly pension is a lifetime cash benefit paid to a retiree who has paid at least 120 monthly contributions to the SSS prior to the semester of retirement. The lump sum amount is granted to a retiree who has not paid the required 120 monthly contributions.

e. *Death & Funeral*

The death benefit is cash paid to the beneficiaries of a deceased member. The primary beneficiaries are the legitimate dependent spouse until he or she remarries and legitimate, legitimated, legally adopted or illegitimate dependent children of the member. In the absence of primary beneficiaries, the secondary beneficiaries are the dependent parents of the member. In their absence, the person designated by the member as beneficiary in his/her member's record will be the recipient.

The types of death benefits are:

- the monthly pension
- the lump sum amount.

The monthly pension is granted only to the primary beneficiaries of a deceased member who had paid 36 monthly contributions before the semester of death.

The lump sum is the amount granted to the primary beneficiaries of a deceased member who had paid less than 36 monthly contributions before the semester of death.

A funeral grant of P20,000 (effective September 1, 2000) is given to whoever pays the burial expenses of the deceased member or pensioner.

10. *Employees' Compensation Program (ECP)*

The Employees' Compensation Program (ECP) is a government program designed to provide a package of benefits for public and private sector employees and their dependents in the event of work-related contingencies such as sickness, injury, disability, or death.

Benefits and Programs:

a. ***Loss of income benefit*** or a cash benefit given to a worker to compensate for lost income due to his or her inability to work.

b. ***Medical benefits*** which include the reimbursement of the cost of medicine for the illness or injury, payments to providers of medical care, hospital care, surgical expenses, and the costs of appliances and supplies where necessary. The medical services are limited to ward services of an accredited hospital.

c. ***Rehabilitation services*** include physical therapy, vocational training, and special assistance provided to employees who sustain a disability as a result of sickness or injury arising out of employment. The objective is to develop the workers'mental, vocational, and social potential and to help them remain as productive members of society.

d. ***Career's allowance*** which is provided to an employee who suffers a permanent total disability (PTD) arising out of employment the extent of which is such that he or she could not on his or her own attend to his or her basic personal needs.

e. ***Death benefits*** which are granted to beneficiaries of an employee who dies as a result of sickness or injury arising out of employment. When a worker on PTD status dies, his or her primary beneficiaries shall receive eighty percent (80%) of his or her monthly income benefit plus ten percent (10%) for every dependent child but not exceeding five (5).

11. *Separation Pay*

Separation pay is given to employees in instances covered by Articles 283 and 284 of the Labor Code of the Philippines. An employee's entitlement to separation pay depends on the reason or ground for the termination of his or her services. An employee may be terminated for just cause (i.e., gross and habitual neglect of duty, fraud, or commission of a crime), and other similar causes as enumerated under Article 282 of the Labor Code and, generally, may not be entitled to separation pay. On the other hand, where the termination is for authorized causes, separation pay is due.

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a. One-Half Month Pay per Year of Service

An employee is entitled to receive a separation pay equivalent to one-half (1/2) month pay for every year of service, a fraction of at least six months being considered as one (1) whole year, if his/her separation from the service is due to any of the following authorized causes:

- Retrenchment to prevent losses (i.e., reduction of personnel effected by mgnt. to prevent losses);
- Closure or cessation of operation of the company not due to serious losses or financial reverses; and
- When the employee is suffering from a disease not curable within a period of six (6) months and his/her continued employment is prejudicial to his/her health or to the health of his/her co-employees.

b. One-Month Pay per Year of Service

An employee is entitled to separation pay equivalent to his/her one- month pay for every year of service, a fraction of at least six (6) months being considered as one whole year, if his/her separation from service is due to any of the following:

- Installation by employer of labor-saving devices;
- Redundancy, as when the position of the employee has been found to be excessive or unnecessary in the operation of the enterprise;
- Impossible reinstatement of the employee to his or her former position or to a substantially equivalent position for reasons not attributable to the fault of the employer, as when the reinstatement ordered by a competent authority cannot be implemented due to closure or cessation of operations of the establishment/ employer, or the position to which he or she is to be reinstated no longer exists and there is no substantially equivalent position in the establishment to which he or she can be assigned.

In the computation of separation pay, the salary base properly used in computing the separation pay should include not just the basic salary but also the regular allowances that an employee has been receiving

B. COMPANY INIATED BENEFITS

1. Vacation Leave

Upon regularization, all employees of Roxaco are entitled to paid vacation leave (VL) equivalent to 1.25 working days per month. The leave credits shall vary depending on the length of service with the company, as provided in the table below:

Length of Service	Leave Credits
0 - 5 years	15 days
Over 5 - 8 years	16
Over 8 - 10 years	17
Over 10 - 13 years	18
Over 13 - 15 years	19
Over 15 years	20

VL may be granted by his superior at anytime of the year. Applications for VLs must be submitted to the Senior Officer at least 3 days in advance. Employees are encouraged to enjoy time off to reinvigorate themselves

Unused vacation leave credits are converted in their cash equivalent at the end of the year.

2. Sick Leave

Upon regularization, all employees of Roxaco are entitled to paid sick leave (SL) equivalent to 1.25 working days per month. The leave credits shall vary depending on the length of service with the company, as provided in the table below:

Length of Service	Leave Credits
0 - 5 years	15 days
Over 5 - 8 years	16
Over 8 - 10 years	17
Over 10 - 13 years	18
Over 13 - 15 years	19
Over 15 years	20

The Company considers sick leave as any temporary absence due to illness or non-occupational injury that prevents an employee from coming to work. Application for emergency leave must be submitted upon return to work

Unused sick leave credits are converted in their cash equivalent at the end of the year.

3. *Emergency Leave*

Three (3) days of emergency leave with pay per year in addition to the employees' vacation leave credit shall be granted in cases of emergency such as bereavement (first degree of affinity or consanguinity), marriage of the employee, fire and similar calamities affecting the employee, and other serious emergencies as determined by the Senior Vice President.

Verbal approval by the superior is needed before going on leave. Application for emergency leave must be submitted not later than 5 days upon return to work.

4. *Health Care Plan*

The company provides all regular employees through a Health Maintenance Organization (HMO) provider a health card that will help them with their medical expenses. The Company pays for the total costs of the employees' coverage plus one (1) free dependent. No premiums will be paid by the employee.

Presently, the group hospitalization plan is provided by Maxicare Healthcare Corporation. Married employees or those with children can register only one dependent, who is either the spouse or a child. Single employees are not eligible to register any dependent. Features of the healthcare plan are out-patient care, preventive health care, annual check-up, in-patient care, emergency care and additional concessions depending on the job classification. Each employee will be provided with a summary of benefits.

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The Group Hospitalization Levels are:

1. Platinum - Executives
2. Gold - Managers
3. Silver - Supervisors
4. Bronze - Professional/Technical and Monthly Rank and File

Dependents will enjoy the next lower hospitalization level. However, dependents of employees will also be entitled to the bronze level.

In the future, should the company decide to shift to another health care provider, principally the same coverage and range of benefits will apply.

5. *Pre-employment Medical Exam*

The company renders free routine pre-employment check up for all qualified applicants selected for any position. This includes chest x-ray ant thorough vital signs and laboratory examination.

6. *Annual Physical Medical Exam*

All regular employees are schedule to undergo medical check up annually at the expense of the company.

7. *Group Insurance Plan*

For added security and protection, the Company provides a reasonable Group Life Insurance plan. All regular employees are enrolled under the plan. The Company pays for the group insurance premiums.

8. *Financial Assistance Plan*

Purposes:

- Asset acquisition
- Medical Treatment
- Educational expenses
- Other Purposes (with CEO approval)

Loanable Amount:

- Officers below Vice President: maximum of 6 months salary but fully covered by the monetary equivalent of retirement / resignation benefits.

- Vice Presidents and up: maximum of P750,000 but fully covered by the monetary equivalent of retirement / resignation benefits.

Amortization: Semi-monthly with payments not to exceed 20% of gross monthly salary.

Interest: 1% over the company's highest short-term clean borrowing rate at the time of availment; subject to review and revision every 12 months from the time of availment.

Tenor: Minimum of 1 year
Maximum of 4 years

Others: No multiple availments
Clean up period of 30 days
Employed by the Company for at least 2 yrs
Subject to availability of funds

9. *Job Opportunities/ Promotions/ Training and Development*

Roxaco's policy is to promote from within whenever practicable. When an opening occurs in the Company, those employees who have expressed a desire and have proven that they have the attitude and qualifications necessary to do the job will be considered before recruitment is made from the outside. Decisions to promote will be based on qualifications, experience, previous job performance, attendance record and the interest shown by the employee through his participation in the training opportunities and seminars which are available to all or upon approval by the Senior Officer.

The company believes in continuing development of potentials of an employee. For this purpose, in house or on-the-job training shall be conducted for the benefit of the employees. They may also be sent to training programs outside the company to further enhance their skills and knowledge. Also a regular employee may recommend and justify a specific seminar or course related to his function for approval by the Senior Officer.

10. *Performance Management System Rewards*

Performance Management System (PMS**)** is a means of obtaining better results by establishing a shared understanding of what **is** to be achieved, of managing, developing and motivating people in a way that it **will** be achieved.

The PMS rewards system enables the management to recognize and reward employees' contribution in the achievement of the corporate targets.

The mechanism involve in the implementation of the rewards recognizes the causal effect in the balanced scorecard, such that an individual who performed well will result to a better team performance, that will impact on the company's performance and to the whole group in totality.

The PMS reward is an incentive which is in the form of a variable pay wherein the cash equivalent will vary depending on the following:

- Company's performance in terms of the achievement of corporate goals and targets
- Individual performance based on the PMS rating

11. ***Retirement Plan***

To provide financial assistance to Officers and Employees on their separation from the Company, either by retirement or resignation, the Company has put up a non-contributory retirement plan.

a. *Retirement Benefit*

The Plan provides for a normal retirement benefit (at age 60 yrs.) which is equal to the employees' final monthly salary as of the date of retirement for every year of service, multiplied by the applicable factor as follows:

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Years of Service	Applicable Factor	
Less than 5	None	
5	0.50	(Normal retirement plan as per Labor Code)
6	0.60	
7	0.70	
8	0.80	
9	0.90	
10 to less than 20	1.00	
20 and above	1.50	

b. *Resignation Benefit*

If an employee voluntarily resigns from the Company after at least 5 years of service, he shall be entitled to receive a portion of his earned benefit credits as follows:

Years of Service	Applicable Factor
Less than 5	None
5 to less than 10	0.20
10 to less than 15	0.40
15 to less than 20	0.60
20 to less than 25	0.80
25 and above	1.00

C. WHAT ROXACO EXPECTS FROM YOU

1. Attendance

The success and efficiency of day-to-day operations depend to a great extent on the employees reporting for work on time each day. If the employee is absent, or even late in reporting for work, he places an extra burden on his fellow employees.

The regular workweek of the employees is from Monday to Friday, 8:00am to 5:00pm with 2-hour lunch break from 12:00nn to 2:00pm.

Tardiness in excess of 15 minutes in any given day shall be deducted from payroll. Aggregate tardiness in excess of one hour in any given month shall be ground for disciplinary action.

If for some valid reasons the employee finds it impossible to report for work, he is expected to notify his immediate supervisor personally, or as soon as the employee can determine that he will be late or absent. The employee should explain fully the reason for his absence and when he expects to be able to resume work.

The employee should not depend on friends, relatives or fellow employee to report his absence. Absences of more than one day must be reported duly unless other arrangements have been made with the employee's Department Head. Absences due to illness for two days or more require a medical certificate from the attending physician.

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2. Dress Code

All employees are required to wear clothes in accordance with the company's dress code. Employees are expected to wear clothes appropriate to their duties and responsibilities.

Male managers are expected to wear long-sleeved polo shirts with tie or long-sleeved barong, dark pants and leather shoes. Supervisors are expected to wear short-sleeved polo shirts with tie or short-sleeved barong, dark pants and leather shoes. Employees must wear short-sleeved polo without tie or short-sleeved barong, dark pants and leather shoes. During Fridays, all level can wear short-sleeved polo shirts or any other casual shirts with collar, but may not use clothes made of denim materials.

Female managers and supervisors are expected to wear the appropriate feminine attire such as dresses and skirts. Employees can wear pants provided that these are not casual. During Fridays, all levels can wear pants provided these are still considered appropriate office attire (i.e. no miniskirts, culottes, sleeveless shirts and blouses, shorts, half-shirts, midriff blouses.)

Casual attire may be worn only during field work which requires the employee to be out of the office for four (4) hours or more.

3. *Company I.D.*

The Company will provide the employee with a company I.D. upon regularization. The employee is expected to wear the I.D. at all times during office hours. This will make it easy for the employees to learn the names of his fellow employees & vice versa.

The replacement of lost I.Ds. shall be subject to current replacement costs. Should the employee resign, he must return the I.D. before he can receive his final pay check, clearance and certification of employment.

4. *Change of Status*

The employee should inform the Administrative Head if he wishes to make changes in any of the following areas:

Name (because of marriage)
Address and Phone Number
Marital Status
Dependents
Person to notify in case of emergency
Beneficiary for SSS Retirement benefits

5. *Security*

An employee is encouraged to report questionable activities or suspicious circumstances to his supervisor or the security officer promptly.

6. *Telephone Calls*

Telephones are primarily for business use and may not be used for personal calls unless necessary.

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7. *Security Passes and Package Inspection*

A security pass, signed by the Company's designated representative, is required in order to bring out any article from the office. If the employee is bringing in any article of value, he is advised to declare it to the floor security officer for logging in the control logbook. The unauthorized removal of any company property from the premises is ground for serious disciplinary action, including dismissal.

8. *Visitors of Employees*

The employee is not allowed to receive visitors in his place of work. In cases for bonafide emergency, however, the Security Officer will inform the employee and in turn the employee shall ask the permission of his department head to leave his work area and attend to his visitor.

9. *Outside Employment*

While Roxaco does not intend to interfere with an employee's personal affairs or limit his outside activities, it is not in favor of employees working in other jobs even if on a part-time basis only, as this greatly affects the employee's efficiency. He is not allowed while in the employ of Roxaco to engage in any activity which is in conflict with the interest of the Company or which will interfere with the performance of his job, including consulting, whether within or outside of the working hours without the prior written consent of the Senior Officer.

GENERAL POLICIES

These Rules and Regulations shall apply to all employees within the company premises and/or designated jobsites. It shall likewise apply to employees outside of the company premises if it involves Company property, or when the employee is on official business/ activity or participating in a company-sponsored activity. Moreover, in situations where the cause of action arises from a "superior-subordinate" relationship , these rules shall apply.

These Rules and Regulations shall be implemented independent of any civil or criminal action that may be filed against the erring employee. All infractions shall be duly recorded and form part of the 201 file of the employee concerned.

Everyone is expected to study, understand, and adhere to these rules and regulations. No one can plead ignorance of the same.

OBJECTIVES

1. To acquaint the employees on the fundamental patterns of standards of behavior and performance expected of everyone;
2. To serve as a constant reminder of what employees are expected to do in order to ensure and attain high level of productivity;
3. To instill proper and correct attitude on the part of employees towards their work; and
4. To provide Department Heads and Supervisors with guidelines on the administrations of employee discipline.

ADMINISTRATION

1. The administration of discipline is a line function and all Supervisors and Managers are primarily responsible for the behavior of their respective subordinates. Therefore, it is their duty to decide and impose appropriate disciplinary action whenever necessary within the limits of their authority as follows:

   1.1 Offenses punishable by a penalty of **less than one (1) month suspension** shall be decided by the Supervisor or Manager concerned in consultation with Senior Vice President.

   1.2 Offenses punishable by a penalty of **more than one (1) month suspension** shall, upon the recommendation of the Supervisor or Manager, be with the assent of the Senior Vice President.

   1.3 Offenses punishable by **discharge** for cause shall be with the approval of the Senior Vice President or in his absence, any other officer of higher rank.

The Human Resources Section must always be informed in writing of the disciplinary action taken for the record purposes.

2. The VPCHR may be consulted by the Supervisor or Manager concerning disciplinary cases in their unit. When a violation is noted by the HR, the Supervisor or Manager concerned shall be notified accordingly so that action may be promptly taken by them.

3. These rules and regulations are not limited to cover all company rules and regulations, but are intended to define basic policy. Hence, other rules and regulations may subsequently be issued from time to time as the circumstances warrant.

PROCEDURE

1. Upon receipt of a written complaint or report of an alleged violation, the Supervisor or Manager concerned shall investigate and review the facts of the case, giving the respondent the opportunity to be heard.

   1.1 The respondent must be served with a letter informing him/her of the alleged violation and directing him/her to explain in writing within two (2) working days upon receipt of the same.

   1.2 A duplicate of a written notice or letter must be signed by the respondent to signify that he or she received the same. This letter shall form part of his/her 201 File.

   1.3 If the respondent refuses to receive the same, the Supervisor or Manager shall leave a copy to the respondent in the presence of two witnesses who shall attest to the fact that the respondent refuses to acknowledge receipt of the same. Such fact must be annotated in the receiving copy by the witnesses.

   1.4 Failure of the employee to answer in writing within the said period shall be construed as a waiver of his right to submit his answer/explanation.

2. Thereafter, the Supervisor and/or the Manager concerned shall evaluate the facts of the case.

3. The Supervisor or Manager concerned shall then prepare a written report on the alleged infraction, his findings and the appropriate penalty to be imposed, if any. A copy of the said report together with the other copies of the documentary evidences and written testimonies, if applicable, shall be forwarded to the Human Resources Section for the proper disposition.

Note: The above procedures shall not in any manner be construed as a limitation on the exercise of Management prerogative to create an Investigating Committee should the circumstances warrant its creation.

TYPES OF DISCIPLINARY ACTION

1. Any employee who commits any of the offenses defined under these Rules and Regulations may be disciplined in accordance with the following table of penalties:

    I. **Written Reprimand.** Normally given to first time offenders for violation of petty offenses.

    II. **Suspension for three (3) days.** This places an employee under suspension for one (3) days for committing light offenses.

    III. **Suspension for one (1) week.** This places an employee under suspension for one (1) week for committing minor offenses.

    IV. **Suspension for more than one (1) week but less than one (1) month.** This places an employee under suspension for more than one (1) week but less than one (1) month for committing less serious offense.

    V. **Suspension for one (1) to six (6) months.** This places an employee under suspension for one (1) to six (6) months for committing serious offenses.

    VI. **Discharge.** This is the termination of an employee for commission of an extremely serious violation repeated infraction of the offenses defined under the rules.

2. If the Employee commits at least three (3) different infractions within a period of twelve (12) months from the first offense, the penalty next higher in degree than that prescribed shall be imposed on the fourth and subsequent offenses.
1. Suspension carries with it loss of all fringe benefits and privileges. Such loss of benefits and privileges however shall be limited to the entire duration of the suspension period only.
2. Discharge for cause carries with it the forfeiture of all fringe benefits and privileges.
3. Notwithstanding the penalties enumerated above, depending on the gravity and the nature of the offense committed, the maximum penalty of discharge may be imposed.

MITIGATING AND AGGRAVATING CIRCUMTANCES

1. If on account of some mitigating circumstances attending a particular case, it appears that the penalty to be imposed will be so severe, the penalty next lower in degree may be imposed.
2. A penalty may be raised to a higher degree/level when the penalty to be imposed appears to be so light on account of the presence of aggravating circumstances.

CONDONATION OR COMMUTATION OF PENALTIES

All recommendation for a reduction on penalty/ies imposed shall be approved by the Manager or the Vice President, and noted by the Human Resources Section.

PRIVATE DISAGREEMENTS, CONTROVERSIES, CIVIL OR CRIMINAL CASES BETWEEN EMPLOYEES

Management will not intervene in any disagreements, controversies or court cases (civil or criminal) between employees that are personal or private in nature. However, in such private disagreement, controversy or court action causes any animosity between the employees thereby affecting the peace and order within the Company premises or affecting the efficiency of work or which may prejudice the Company, Management will adopt and put in effect such measures as may be necessary to remedy the situation, including suspension of the erring employees as circumstances or the nature of the case may require.

ADMINISTRATION AND AMENDMENT

1. **Management reserves its right to amend, alter, modify or change these Rules as the exigencies of the time or circumstances may warrant.**
2. Every employee shall, upon employment, be furnished with a copy of these Rules and any of its amendments and must acknowledge receipt of the same writing.

EFFECTIVITY

1. **These Rules shall supercede all other Rules and Regulations previously promulgated for ROXACO employees.**
2. These Rules shall take effect after it has been widely circulated to all employees.

DISCIPLINARY RULES AND REGULATIONS

I - Warning
II - Suspension for three (3) days
III - Suspension for one (1) week
IV - Suspension for more than one (1) week but less than one (1) month
V - Suspension for one (1) to six (6) months
VI - Discharge

A. OFFENSES AGAINST PERSONS	1st	2nd	3rd	4th
1. Provoking or instigating a quarrel, or fighting in Company premises causing light physical injuries which incapacitates a person to work for or shall require medical attendance for: a. one to three days b. four to six days c. seven to less than ten days	 II III IV	 III IV V	 IV V VI	 VI VI
2. Threatening, intimidating, coercing or harassing a fellow employee or anybody on the jobsite or on Company property at anytime. When the offense is committed against a superior, the penalty provided for insubordination shall be imposed.	IV	V	VI	

1. Inflicting less serious physical injuries (which incapacitates a person to work for ten days to thirty days or which shall require medical attendance for the same period).	IV	V	VI	
2. Inflicting serious physical injuries (which incapacitates a person to work for more than thirty days or which will require medical attendance for the same period)	V	VI		
3. Taking the life of a Company official, employee or any person willfully or thru gross negligence on company premises or jobsite. The offenses in item 1-5 under this rule shall apply even if committed outside of company premises or during non-company time if the cause of action is work related or one that arises from a “subordinate-superior” relationship.	VI			

6. Endangering the safety of other employees through negligence.	III	IV	V	VI
7. Causing physical injuries to co-workers on account of carelessness or negligence.	III	IV	V	VI

B. OFFENSES AGAINST PROPERTY	1st	2nd	3rd	4th
1. Malversation of Company funds.	VI			
2. Stealing Company property.	VI			
3. Stealing property belonging to another while inside Company premises.	VI			
4. Attempting to steal from Company; removing Company property from premises without approval from authorized personnel.	V	VI		
5. Willful destruction of Company property.	VI			
6. Damaging Company property thru negligence or reckless, negligent or improper use of company tools and equipment.	III	IV	V	VI

7. Unauthorized use of Company tools, equipment.	I	II	IV	VI
8. Driving or operating Company vehicles without valid license.	V	VI		
9. Vandalism/Graffiti (such as destroying office equipment / furniture; writing/ painting on the walls, restrooms, etc.)	IV	V	VI	
10. Possession of Company tools or property without authority or valid reason for processing the same.	IV	V	VI	

C. FRAUDULENT ACTS	1st	2nd	3rd	4th
1. Falsifying Company records, reports, receipts, papers or other document.	VI			
2. Falsifying daily time records.	V	VI		
3. Falsifying signatures, using another's name, or acting in the name of the Company without express authority.	V	VI		
4. Falsifying employment records, giving or submitting false statement in applying for employment.	V	VI		

5. Obtaining or attempting to obtain materials in a fraudulent manner.	V	VI		
6. Substituting Company material or equipment with other property.	V	VI		
7. Unauthorized disclosure of information, trade secrets, and unauthorized access to information/data.	IV	V	VI	
8. Unauthorized solicitation in any form such as requests for assistance, contributions and donations either in the form of cash or otherwise.	V	VI		

D. OFFENSES AGAINST PUBLIC MORALS	1st	2nd	3rd	4th
1. Using indecent, abusive, derogatory and/or indecorous words whether verbally or used in letters or communications addressed to the Company or to any of its officers.	IV	V	VI	

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2. Circulating false or malicious information tending to malign or besmirch the good name of the Company or any of its officers.	IV	V	VI	
3. Taking part in or promoting any gambling or any other game of chance or unauthorized lottery on Company job-site.	IV	VI		
4. Committing immoral, indecent acts, or willful indecent exposure inside company premises, property or job sites.	I	II	IV	VI
5. Using profane or obscene language in addressing another person on Company premises, property or job sites.	I	II	IV	VI
6. Exhibition or distribution of pornographic materials including possession of the same in Company worksites.	I	II	III	IV
7. Engaging in illicit relationship with co-employee under scandalous circumstances or affecting work performance.	V	VI		

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SEXUAL HARASSMENT

Commission of sexual harassment or any of the sexually improper conduct defined under the Company Rules and Regulations Implementing the Anti-Sexual Harassment Act of 1995 shall be penalized pursuant to the said rules.

E. OFFENSES AGAINST SECURITY	1st	2nd	3rd	4th
1. Neglect use of ID or any other system of identification provided or required by the Company; or giving ID to any other person not entitled to it.	I	II	III	IV
2. Unauthorized possession of ice-picks, clubs, other deadly articles or bladed instruments such as hunting knife, balisong knife, “tres cantos”, dagger etc., inside the premises of the company.	V	VI		
3. Illegal possession of explosives within the premises of the company.	VI			
4. Refusing to submit to Company authorized security personnel in the performance of their duties.	I	III	VI	
5. Refusal to submit to or disobedience or failure to meet or observe security requirements or regulations of the Company.	I	III	VI	
6. Engaging in sabotage.	VI			
7. Entering restricted areas without specific permission.	I	III	VI	
8. Conviction of a crime or felony involving moral turpitude.	VI			
9. Unauthorized dis-closure or giving away without authorization restricted Company information or other data of confidential nature to any person not authorized to acquire or possess such information or data.	V	VI		
10. Reporting for work obviously under the influence of liquor or dangerous drugs as listed under the Dangerous Drugs Act of 2002.	V	VI		

11. Bringing in or attempting to bring inside Company premises, property or jobsites, alcoholic beverages or any dangerous drugs.	V	VI		
12. Drinking any alcoholic beverage or use of dangerous drugs on Company premises.	V	VI		

F. LOAFING DURING WORKTIME	1st	2nd	3rd	4th
1. Leaving work assignment during work hours without previous permission and without reasonable cause.	II	III	IV	VI
2. Engaging in horse-play; officiousness and noisy conduct disturbing the work of other employees.	I	II	III	IV
3. Wasting time or loitering on Company time.	II	III	IV	VI
4. Stopping work before indicated time-out.	II	III	IV	VI
5. Leaving Company premises or jobsite during working time without previous permission of supervisor.	II	III	IV	VI

G. HABITUAL TARDINESS	1st	2nd	3rd	4th
4. Tardiness without reasonable cause in excess of sixty (60) minutes in any one month or five (5) times in one month.	I	II	III	IV

H. HABITUAL ABSENTEEISM	1st	2nd	3rd	4th
1. Absence without permission or without reasonable cause.	I	II	III	IV
5. Being absent for two consecutive days to one (1) week without permission or without officially filling leave of absence.	III	IV	V	VI

3. Same as above if unauthorized absences exceed seven (7) consecutive days but not more than one (1) month ***Failure to return to work promptly upon expiration of vacation or sick leave shall be considered absence without leave. So that the reason justifying the absence may be considered in excusing the personnel concerned, the same must be received by or communicated to the proper authority within 24 hours from the first day of absence.***	V	VI		
4. Same as above if unauthorized absences exceed thirty (30) consecutive days. ***Note: The penalties for violation of Paragraph H, Item # 1-4 shall be applied on a yearly basis reckoned on the immediately preceding 12 month period so that every year shall start with the penalty for the first offense.***	VI			

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5. Doing private work during working hours without permission. Selling any king of articles or lottery tickets, within the premises, without authorization of management.	II	III	IV	VI
6. Sleeping while on duty, in non-guarding or non-tending assignment.	III	IV	V	VI
7. Sleeping while on duty causing damage to property or physical injuries.	V	VI		

I. HEALTH	1st	2nd	3rd	4th
1. Refusal to submit Annual Physical Examination result	I	V	VI	

J. CONFLICT OF INTEREST	1st	2nd	3rd	4th
1. Engaging in business or professional activity during working hours, or in any activity that goes against the interest of the Company regardless of whether the same is done during working hours or not.	II	IV	V	VI