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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 G 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

September 30  
Month Day  
Fiscal Year

3<sup>rd</sup> Quarter Interim Financial Statement  
Form Type

February 4<sup>th</sup> Wednesday  
Month Day  
Annual Meeting

Secondary License Type, If Applicable

Department Requiring this Document

Amended Articles Number/Section

3,415

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

TO BE ACCOMPLISHED BY SEC PERSONNEL CONCERNED

File Number

LCU

Document I.D.

Cashier

STAMPS

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**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 17-Q  
QUARTERLY REPORT PURSUANT TO SECTION 17 OF  
THE SECURITIES REGULATION CODE AND SRC RULE 17(2) (b) THEREUNDER**

1. For the quarterly period ended: **30 June 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. **7F 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**  
6F Cacho-Gonzales Building, 101 Aguirre Street  
Legaspi Village, Makati City 1229  
Former name, former address and former fiscal year, if changed since last report
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	<b>₱3,375,000,000.00</b>
No. of shares subscribed & outstanding: Common	<b>1,921,501,094</b>
Amount of loans outstanding as of 30 June 2014	<b>₱326,557,000.00</b>

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 [ ]

## **PART I – FINANCIAL INFORMATION**

Item 1. Financial Statements

**Please see Annex “A”.**

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

**Please see Annex “B”.**

## **PART II – OTHER INFORMATION**

1. New Projects or Investments in Another Project, Line of Business or Corporation

On December 3, 2013, RLC entered into a 50%-50% Joint Venture Agreement with Singapore’s Vanguard Hotels Group to build a minimum of five “Go Hotels” in Metro Manila and in selected provincial destinations over the next two or three years. As of June 30, 2014, RLC has paid capital contribution amounting to ₱100.5 million.

2. Composition of the Board of Directors:

<b>PEDRO E. ROXAS</b>	-	Chairman / President & CEO
<b>ANTONIO J. ROXAS</b>		
<b>FRANCISCO JOSE R. ELIZALDE</b>		
<b>CARLOS ANTONIO R. ELIZALDE</b>		
<b>RENATO C. VALENCIA</b>		
<b>CORAZON S. DE LA PAZ-BERNARDO</b>		Independent Director
<b>GUILLERMO D. LUCHANGCO</b>	-	Independent Director
<b>PETER D. BAROT</b>	-	Corporate Secretary

3. Performance of the Corporation or result or progress of operations:

**Required information is contained in Annexes "A" and "B".**

4. Suspension of operations:

**None for the period.**

5. Declaration of dividends:

**On 13 December 2013, the Board of Directors approved Php0.02 cash dividend per share for stockholders of record as of 06 January 2014 and payment date on 30 January 2014.**

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

On December 3, 2013, RLC entered into a 50%-50% Joint Venture Agreement with Singapore's Vanguard Hotels Group to build a minimum of five "Go Hotels" in Metro Manila and in selected provincial destinations over the next two or three years. As of June 30, 2014, RLC has paid capital contribution amounting to ₱100.5 million.

7. Financing through loans:

**None for the period.**

8. Offering of rights, granting of Stock Options and corresponding plans therefor:

**None for the period.**

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

**None for the period.**

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

**None for the period.**

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

**None for the period.**

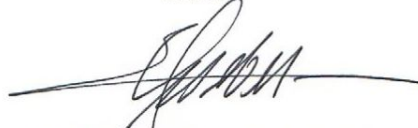
SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the 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)**

Issuer

By:

A handwritten signature in black ink, appearing to read 'ALEXANDRO S. CASABAR', written over a horizontal line.

**ALEZANDRO S. CASABAR**  
Legal Services Manager  
Compliance Officer/Corporate Information  
Officer

Date: 14 August 2014.



# **ANNEX “A”**

## **CONSOLIDATED FINANCIAL STATEMENTS**

**Third Quarter Ending June 30, 2014 and 2013**

**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2014 AND SEPTEMBER 30, 2013**  
**(Amounts in Thousands)**


	Note	June 30, 2014 (Unaudited)	September 30, 2013 (Audited)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	P25,392	P198,626
Trade and other receivables - current portion	8	267,692	1,455,687
Inventories	9	15	1,550,894
Real estate for sale and development - at cost	10	459,577	387,943
Other current assets	11	72,403	538,484
Total Current Assets		825,079	4,131,634
<b>Noncurrent Assets</b>			
Receivables - net of current portion	8	15,330	17,089
Investments in associates and a joint venture	12	2,166,433	757,559
Property, plant and equipment:	13		
At cost		5,579	7,896,563
At appraised values		-	2,758,324
Investment properties	14	4,432,493	4,624,331
Net retirement plan assets	18	-	127,145
Net deferred tax assets	26	3,912	35,629
Other noncurrent assets		10,216	17,180
Total Noncurrent Assets		6,633,963	16,233,820
		P7,459,042	P20,365,454
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Short-term borrowings	15	P56,500	P1,064,027
Current portion of long-term borrowings	16	49,432	158,277
Trade and other payables	17	219,676	781,361
Income tax payable		-	51,513
Dividends payable	19	5,233	4,444
Total Current Liabilities		330,841	2,059,622

(Forward)

	Note	June 30, 2014 (Unaudited)	September 30, 2013 (Audited)
<b>Noncurrent Liabilities</b>			
Long-term borrowings - net of current portion	16	₱220,625	₱7,211,340
Net retirement liability	18	2,982	14,742
Net deferred tax liabilities	26	-	798,491
<b>Total Noncurrent Liabilities</b>		<b>223,607</b>	<b>8,024,573</b>
<b>Total Liabilities</b>		<b>554,448</b>	<b>10,084,195</b>
<b>Equity attributable to the Equity Holders of the Parent Company</b>			
Capital stock	19	2,911,886	2,911,886
Additional paid-in capital	19	1,611,393	1,611,393
Revaluation increment on land	19	280,091	1,496,206
Share in fair value reserve of an associate	12	5,179	5,179
Share in revaluation increment on land of an associate	12	-	136,322
Effect of change in equity interest in subsidiaries		-	(81,066)
Retained earnings	19	3,767,679	2,291,154
Other comprehensive loss		(5,811)	-
Treasury stock - at cost	19	(1,683,654)	-
		<b>6,886,763</b>	<b>8,371,074</b>
<b>Noncontrolling Interests</b>		<b>17,831</b>	<b>1,910,185</b>
<b>Total Equity</b>		<b>6,904,594</b>	<b>10,281,259</b>
		<b>₱7,459,042</b>	<b>₱20,365,454</b>

See accompanying Notes to Consolidated Financial Statements.

Certified true and correct:



ARMANDO B. ESCOBAR  
VP - CFO



**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE THREE AND NINE-MONTH PERIODS ENDED JUNE 30, 2014 AND 2013\***  
**[Amounts in Thousands, Except Basic/Diluted Earnings (Loss) per Share Data]**


	Note	Three Months		NineMonths	
		2014 (Unaudited)	2013 (Unaudited)	2014 (Unaudited)	2013 (Unaudited)
REVENUE	21	₱25,036	(₱2,957)	₱81,699	₱54,890
COST OF SALES	22	(21,984)	(1,677)	(49,343)	(15,540)
GROSS INCOME		3,051	(4,634)	32,356	39,440
GENERAL AND ADMINISTRATIVE EXPENSES	23	(14,284)	(16,786)	(58,991)	(58,945)
EQUITY IN NET EARNINGS OF ASSOCIATES	12	47,936	—	144,162	68
SELLING EXPENSES	23	(4,218)	(4,882)	(13,164)	(10,942)
INTEREST EXPENSE - Net	15	(3,790)	(3,941)	(9,112)	(13,849)
GAIN ON SALE OF INVESTMENT IN A SUBSIDIARY	6	—	—	1,316,942	—
OTHER INCOME - Net	25	16,786	9,779	18,940	11,546
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAX		45,482	(20,464)	1,431,133	(32,682)
INCOME TAX EXPENSE		(1,388)	(31)	(1,907)	(78)
NET INCOME (LOSS) FROM CONTINUING OPERATIONS		44,094	(20,495)	1,429,226	(32,760)
NET INCOME FROM DISCONTINUED OPERATIONS	6	—	99,301	41,999	304,111
<b>NET INCOME</b>		<b>₱44,094</b>	<b>₱78,806</b>	<b>₱1,471,225</b>	<b>₱271,351</b>
Net income attributable to:					
Equity holders of the Parent Company		₱44,094	₱44,830	₱1,456,767	₱167,646
Noncontrolling interests		—	33,976	14,458	103,705
		<b>₱44,094</b>	<b>₱78,806</b>	<b>₱1,471,225</b>	<b>₱271,351</b>

(Forward)

		Three Months		NineMonths	
		2014	2013	2014	2013
	Note	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>BASIC/DILUTED EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY</b>	27	<b>₱0.02</b>	₱0.015	<b>₱0.68</b>	₱0.06
<b>Net Income (Loss) from Continuing Operations</b>		<b>₱0.00</b>	(₱0.007)	<b>₱0.66</b>	(₱0.01)
<b>Net Income from Discontinued Operations</b>		<b>₱0.00</b>	₱0.022	<b>₱0.02</b>	₱0.07

*See accompanying Notes to Consolidated Financial Statements.*

\* On November 29, 2013, RHI was deconsolidated.


Certified true and correct:  
  
ARMANDO B. ESCOBAR  
VP - CFO

**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE THREE AND NINE-MONTH PERIODS ENDED JUNE 30, 2014 and 2013\***  
(Amount in Thousands)

	Three Months		Nine Months	
	2014 (Unaudited)	2013 (Unaudited)	2014 (Unaudited)	2013 (Unaudited)
<b>NET INCOME</b>	<b>₱44,094</b>	<b>₱78,806</b>	<b>₱1,471,227</b>	<b>₱271,351</b>
<i>Not to be reclassified in profit or loss when realized</i>				
Actuarial loss on retirement liability, net of deferred tax amounting to ₱2.5 million	-	-	<b>(5,811)</b>	-
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱44,094</b>	<b>₱78,806</b>	<b>₱1,465,416</b>	<b>₱271,351</b>
Total comprehensive income attributable to:				
Equity holders of the Parent Company	<b>₱44,094</b>	<b>₱44,830</b>	<b>₱1,450,957</b>	<b>₱167,646</b>
Noncontrolling interests	-	<b>33,976</b>	<b>14,458</b>	<b>103,705</b>
	<b>₱44,094</b>	<b>₱78,806</b>	<b>₱1,465,416</b>	<b>₱271,351</b>

*See accompanying Notes to Consolidated Financial Statements.*

\* On November 29, 2013, RHI was deconsolidated.

Certified true and correct:  
  
**ARMANDO B. ESCOBAR**  
VP - CFO

**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE NINE-MONTH PERIOD ENDED JUNE 30, 2014 AND 2013\***  
(Amounts in Thousands)

	Note	2014 (Unaudited)	2013 (Unaudited)
<b>CAPITAL STOCK</b>	19	<b>₱2,911,886</b>	<b>₱2,911,886</b>
<b>ADDITIONAL PAID-IN CAPITAL</b>	19	<b>1,611,393</b>	<b>1,611,393</b>
<b>REVALUATION INCREMENT ON LAND</b>	19	<b>280,091</b>	<b>1,496,206</b>
<b>SHARE IN FAIR VALUE RESERVE OF AN ASSOCIATE</b>	12	<b>5,179</b>	<b>5,179</b>
<b>SHARE IN REVALUATION INCREMENT ON LAND OF AN ASSOCIATE</b>	12	<b>—</b>	<b>136,322</b>
<b>EFFECT OF CHANGE IN EQUITY INTEREST IN SUBSIDIARIES</b>		<b>—</b>	<b>(81,066)</b>
<b>RETAINED EARNINGS</b>	19		
Balance at beginning of period		<b>2,291,154</b>	2,013,375
Effect of changes in ownership interest in subsidiaries		<b>58,188</b>	—
Net income		<b>1,456,767</b>	167,645
Cash dividends		<b>(38,430)</b>	—
Balance at end of period		<b>3,767,679</b>	2,181,020
<b>OTHER COMPREHENSIVE LOSS</b>		<b>(5,811)</b>	<b>—</b>
<b>TREASURY STOCK -at cost</b>		<b>(1,683,654)</b>	<b>—</b>
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>		<b>6,886,763</b>	<b>8,260,941</b>
<b>NONCONTROLLING INTERESTS</b>			
Balance at beginning of period		<b>1,910,185</b>	1,796,595
Effect of changes in ownership interest in subsidiaries		<b>(1,906,812)</b>	—
Net income		<b>14,458</b>	103,705
Balance at end of period		<b>17,831</b>	1,900,300
		<b>₱6,904,594</b>	<b>₱10,161,240</b>

See accompanying Notes to Consolidated Financial Statements.

\* On November 29, 2013, RHI was deconsolidated.

Certified true and correct:



ARMANDO B. ESCOBAR  
VP - CFO

**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE NINE-MONTH PERIOD ENDED JUNE 30, 2014 AND 2013\***  
(Amounts in Thousands)

	Note	2014 (Unaudited)	2013 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income (loss) before income tax from:			
Continuing operations		P1,431,133	(P32,683)
Discontinued operations	6	54,287	494,092
Income before income tax		1,485,420	461,409
Adjustments for:			
Gain on sale of investment in a subsidiary	6	(1,316,942)	-
Equity in net earnings of associates	12	(144,162)	(22,390)
Interest expense	16	12,668	314,698
Interest income		(3,556)	(7,512)
Depreciation and amortization	13	1,290	485,229
Operating income before working capital changes		34,718	1,231,434
Decrease (increase) in:			
Trade and other receivables		(280,820)	(261,305)
Inventories		(15)	(2,442,177)
Real estate for sale and development		(71,635)	(42,186)
Other current assets		(7,242)	(98,928)
Other noncurrent assets		4,936	(4,298)
Increase (decrease) in:			
Trade and other payables		40,703	768,405
Net retirement liability		-	(61,351)
Net cash used for operations		(279,355)	(910,406)
Interest received		7,368	7,512
Income taxes paid, including creditable withholding and final taxes		-	(99,060)
Net cash used in operating activities		(271,987)	(1,001,954)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of investment in a subsidiary	6	2,220,388	-
Acquisition of treasury stock	19	(1,683,654)	-
Investment in: a joint venture	12		
Joint venture		(100,551)	-
Subsidiary		(2,500)	-
Dividends received		35,856	22,839
Additions to property, plant and equipment		(2,460)	(66,718)
Net cash provided by (used in) investing activities		467,079	(43,879)

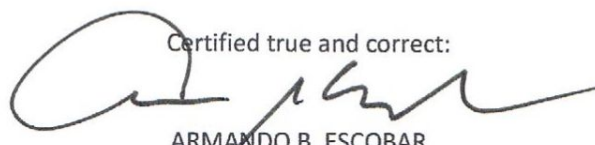
(Forward)

	Note	2014 (Unaudited)	2013 (Unaudited)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payments of:			
Long-term borrowings		(P256,825)	(P117,647)
- Interest		(15,189)	(315,070)
Dividends paid		37,641	(3,527)
Net proceeds from short-term borrowings		32,000	422,212
Proceeds from long-term borrowings		-	1,305,000
Net cash provided by (used in) financing activities		(202,373)	1,290,968
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(7,281)</b>	<b>245,135</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		<b>32,673</b>	<b>199,168</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>7</b>	<b>P25,392</b>	<b>P444,303</b>

See accompanying Notes to Consolidated Financial Statements.

\* On November 29, 2013, RHI was deconsolidated.

Certified true and correct:



ARMANDO B. ESCOBAR  
VP - CFO

**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**1. Corporate Information and Corporate Reorganizations**

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, with the primary purpose of operating mill and refinery facilities to manufacture sugar and allied products. 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. The Parent Company has 3,415 equity holders as at June 30, 2014 and 3,459 as at September 30, 2013.

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

	Line of Business	Percentage of Ownership	
		June 30, 2014	September 30, 2013
Roxaco Land Corporation (RLC)	Real estate	100.00	100.00
United Venture Corporation (UVC)	Warehouse leasing	100.00	100.00
Nasugbu Feeds Corporation (NAFECOR)	Manufacturing	100.00	100.00
Roxas Holdings, Inc. (RHI)	Holding company	35.00	65.70

All the subsidiaries were incorporated and domiciled in the Philippines.

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 (see Note 6). 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. Subsequent to sale, the remaining investment in RHI is classified as an investment in associate (see Note 12).

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

Corporate Reorganizations

*Reorganization Program*

In 2002, the Group undertook major activities relating to the Reorganization Program as approved by the Philippine SEC on December 11, 2001 (see Note 19).

### *2009 Corporate Restructuring*

Following the Reorganization Program, CADPGC (then subsidiary of RHI, a public company) emerged as a holding and investment company with specific focus on sugar milling and refining business, while RHI has been transformed into a diversified holding and investment corporation.

In 2008, RHI increased its equity ownership in CADPGC from 80.28% to 89.36% when CADPGC re-acquired portion of its shares (see Note 19). On December 16, 2008, RHI acquired all the sugar-related operating subsidiaries (Central Azucarera Don Pedro, Inc. - CADPI, Central Azucarera de La Carlota, Inc.- CACI, CADPI Farm Services, Inc. - CFSI, CADPI Consultancy Services, Inc. - CCSI, Jade Orient Management Services, Inc. - JOMSI, Najalin Agri Ventures, Inc. - NAVI) and an associate (Hawaiian-Philippine Company - HP Co), including certain assets and liabilities of CADPGC. On January 23, 2009, with no more sugar-related subsidiaries and an associate, RHI sold its investment in CADPGC to Roxas & Company, Inc. (RCI), an entity incorporated on December 16, 1981 and domiciled in the Philippines.

### *Merger of CADPGC and RCI*

CADPGC was 95.93% owned by RCI prior to the merger. Effective June 29, 2009, upon approval by the Philippine SEC on June 23, 2009, CADPGC, as the surviving entity, merged with RCI through a share swap, wherein 11.71 CADPGC's shares were exchanged for every share of RCI. On the same date, the Philippine SEC approved the change in corporate name of CADPGC to Roxas and Company, Inc.

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## **2. Basis of Preparation and Statement of Compliance**

The unaudited interim consolidated financial statements of the Group have been prepared on a historical cost basis, except for 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, except amounts per share data and unless otherwise indicated.

The unaudited interim 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 Philippine SEC, including the Philippine SEC provisions.

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

The unaudited interim consolidated financial statements, which have been prepared by the Group to be filed with the Philippine SEC for its quarterly reporting to comply with the amended Securities Regulation Code Rule 68, do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at and for the year ended September 30, 2013.



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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. These are summarized below.

- PAS 1, *Financial Statement Presentation, Presentation of Items of Other Comprehensive Income* - The amendment changed the presentation of items in Other Comprehensive Income. Items reclassified to profit or loss at a future point in time is presented separately from items that cannot be reclassified.
- PAS 19, *Employee Benefits* (Amendment) - There were numerous changes ranging from the fundamental changes such as removing the corridor mechanism in the recognition of actuarial gains or losses and the concept of expected returns on plan assets to simple clarifications and re-wording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk.
- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011) - This standard prescribes the application of the equity method to investments in joint ventures and associates.
- 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, *Consolidated and Separate Financial Statements*, related to consolidated financial statements, as well as all of the disclosure requirements that were previously included in PAS 31, *Interest 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, *Disclosure of Interests in Other Entities*, 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 were 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*
- PSA 32, *Financial Instruments: Presentation*

Under prevailing circumstances, the adoption of the foregoing new and revised PFRS does not have any material effect on the unaudited interim consolidated financial statements. Additional disclosures are included in the unaudited interim consolidated financial statements, as applicable.

#### New and Revised PFRS not yet Adopted

Relevant new and revised PFRS, which are not yet effective for the nine-month period ended June 30, 2014 and have not been applied in preparing the unaudited interim 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. On July 28, 2011, the Philippine SEC resolved to further defer the implementation 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-a-vis the practices and regulations in the Philippine real estate industry is completed.

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

Under prevailing circumstances, the adoption of the foregoing new and revised PFRS does not have any material effect on the unaudited interim consolidated financial statements.

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

##### Basis of Consolidation

The unaudited interim consolidated financial statements include the financial statements of the Parent Company and its subsidiaries, which it controls. Control is normally evidenced when the Parent Company owns, either directly or indirectly, more than 50% of the voting rights of the entity's shares of stock.

The following is the list of the subsidiaries:

	Percentage of Ownership		Line of Business
	June 30, 2014	September 30, 2013	
RLC	100.00	100.00	Real estate
UVC	100.00	100.00	Warehouse leasing
NAFECOR**	100.00	100.00	Manufacturing
RHI*	35.00	65.70	Holding company

\* On November 29, 2013, the Parent Company sold 31% equity ownership in RHI to First Pacific (see Note 1). As a result, the remaining 35% interest of the Parent Company in RHI is now accounted for as an investment in associate. Thus, the unaudited interim consolidated figures of the Group as at and for the nine-month period ended June 30, 2014 excludes RHI and its subsidiaries.

\*\* Currently, no commercial operations.

The following are the subsidiaries of RHI:

	Effective Percentage of Ownership	Line of Business
CADPI <sup>(1)</sup>	100.00	Production and selling of raw and refined sugar, molasses and related products
CACI	100.00	Production and selling of raw sugar and molasses
CADP Insurance Agency, Inc. (CIAI) <sup>(2)</sup>	100.00	Insurance agency
CCSI	100.00	Management, investment and technical consultancy services
CFSI	100.00	Land preparation and other related farm services
JOMSI	100.00	Managing and operating agricultural land and planting and cultivation of sugar cane and other farm products
NAVI	50.84	Agricultural and industrial development
Roxol Bioenergy Corporation (RBC)	100.00	Production and selling of bioethanol fuel
CADP Port Services, Inc. (CPSI) <sup>(3)</sup>	100.00	Providing ancillary services
Roxas Power Corporation (RPC) <sup>(3)</sup>	32.85	Sale of electricity

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

<sup>(2)</sup> CIAI was incorporated on May 8, 1997 and has not yet started commercial operations.

<sup>(3)</sup> CPSI was incorporated on July 17, 2008 while RPC was incorporated on July 16, 2008. Both companies have not yet started commercial operations. The Parent Company has control on RPC since it has the power to cast the majority of votes at the BOD's meetings and the power to govern the financial and reporting policies of RPC.

The following are the subsidiaries of RLC:

	Effective Percentage of Ownership	Line of Business
Roxaco Commercial Properties Corporation (RCPC)*	100.00	Real estate
SAMG Memorial and Management Services, Inc. (SMMSI)	100.00	Funeral and related services
Fuego Hotels and Properties Management Corporation (FHPMC)**	75.00	Hotel and resort management

\*RCPC was incorporated on January 14, 1999.

\*\*SEC approved FHPMC increase in capital stock on April 17, 2014

All the foregoing subsidiaries were incorporated in the Philippines.

The unaudited interim 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 unaudited interim consolidated financial statements of each entity are measured using that functional currency.

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

The financial statements of the subsidiaries are included in the unaudited interim consolidated financial statements from the date when the Parent Company obtains control and continue to be unaudited interim 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 unaudited interim 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 not held by the Group, directly or indirectly, and are presented separately in the interim consolidated statement of income and within the equity section of the interim consolidated statement of financial position and interim consolidated statement of changes in equity, separately from Parent Company's equity. Total comprehensive income is attributed to the portion held by the Group and to the noncontrolling interests even if this results in the noncontrolling interests having a deficit 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.* Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

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

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

The goodwill on investments in associates is included in the carrying amount of the related investments.

## Financial Instruments

*Date of Recognition.* The Group recognizes a financial asset or a financial liability in the interim consolidated statement of financial position when it 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 June 30, 2014 and September 30, 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 and short-term placements, receivables, and restricted cash included in "Other current assets" (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, net of tax, from reported earnings, and are reported in the interim consolidated statement of comprehensive income and in the equity section of the interim 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 reported 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 period.

Classified as AFS financial assets are the unquoted equity investments as at June 30, 2014 and September 30, 2013.

*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 period.

Trade and other payables are recognized in the period 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 June 30, 2014 and September 30, 2013 (see Notes 15, 16, 17 and 20).

*Impairment of Financial Assets.* The Group assesses at the end of each reporting period 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 interim consolidated statement of comprehensive income and presented in the interim 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 interim 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 interim consolidated statement of financial position.

#### Fair Value Measurement

The Group uses market observable data as far as possible when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

- Level 1 - quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

#### Inventories

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

*Raw and Refined Sugar, Molasses and Alcohol Inventories.* Cost is being determined using the weighted 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. 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.

*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 was recognized. Prepayments that are expected to be realized for no more than 12 months after the reporting period are classified as current assets. Otherwise, these are classified as other noncurrent assets.

#### Investments in Associates and a Joint Venture

Investments in associates and a joint venture 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 period 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 period 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.

#### Property, Plant and Equipment

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

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

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.

The net appraisal increment resulting from the revaluation of land is presented under "Revaluation increment on land," net of related deferred tax effect, in the interim 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 effect, in the consolidated statement of financial position and interim consolidated statement of changes in equity. Increases in the carrying amount arising on revaluation of land are recognized in the interim consolidated statement of comprehensive income and credited to revaluation increment in the interim consolidated statement of changes in equity, net of related deferred tax effect. 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 effect, 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.

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

<u>Asset Category</u>	<u>Number of Years</u>
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 commences when an asset is in its location or condition capable of being operated in the manner intended by management. Depreciation ceases 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 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 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.

#### Investment Properties

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 period 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 period.

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 financial year end.

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

#### Impairment of Nonfinancial Assets

The carrying values of investments in associates, 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 or loss under the expense category consistent with the function of the impaired asset. Impairment loss recognized during interim period in respect to goodwill or 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. The excess of proceeds from issuance of shares over the par value of shares are credited to additional paid-in capital.

*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 member 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 period are dealt with as event after the reporting period.

#### 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.* Sale of real estate consists of revenue from sale of developed real estate properties and residential properties. Income from sale of developed real estate properties is recognized in full when the collectability of the sales price is reasonably assured and when risks and benefits over the developed assets have been transferred, usually at the time of receipt of at least 25% of the total contract price. Revenue from the sale of residential properties where there are material obligations under the sales contract to provide improvements after the property is sold, are recognized under the percentage of completion method. Under this method, revenue on sale is recognized when the related obligations are fulfilled.

Cash received from the sale of real estate properties, over which the Group maintains continuing managerial involvement or related risks and benefits have not yet been transferred or where collectability is not reasonably assured, is recognized as customers' deposits in the interim consolidated statement of financial position.

*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 Comprehensive Income (Loss)

Other comprehensive income (loss) comprises items of income and expenses (including items previously presented under the interim consolidated statement of changes in equity) that are not recognized in profit or loss for the period.

#### 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 consists of the land and development cost and is recognized consistent with revenue recognition method applied. Cost of subdivision land sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development cost, which include estimated costs for future development works, as determined by the Group's in-house technical staff.

*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

The Parent Company and its subsidiary, 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.

*Short-term Benefits.* The Group provides short-term benefits to its employees in the form of basic 13th month pay, bonuses, employer's share on government contribution, and other short-term benefits.

*Retirement Benefits.* Retirement benefits are actuarially determined using the projected unit credit method. Actuarial gains and losses are immediately recognized in the interim consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Actuarial gains and losses recognized in other comprehensive income are reflected immediately as part of equity and will not be reclassified to profit or loss.

Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs.

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

*Net Retirement Plan Assets.* Net retirement plan assets of the Group recognized in the unaudited interim consolidated statement of financial position in respect of defined benefit retirement plan is the lower of (a) the excess of the fair value of plan assets over the present value of the defined benefit obligation at the end of reporting period together with adjustments for unrecognized actuarial gains or losses and past service costs, and (b) the total of any cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. In cases when the amount determined results in a surplus (being the excess of the fair value of the plan assets over the present value of the defined benefit obligation), the Group measures the resulting asset at (a) the lower of the excess of the fair value of plan assets over the present value of the defined benefit obligation at the end of reporting period together with adjustments for unrecognized actuarial gains or losses and past service costs, and (b) the total of any cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Plan assets represent assets that: (a) are held by an entity (a fund) that is legally separate from the Group; (b) are available to be used only to pay or fund employees benefits; and (c) are not available to the Company's own creditors, and cannot be returned to the Group unless: (i) the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the Group; or (ii) the assets are returned to the Company to reimburse it for employee benefits already paid.

*Net Retirement Liability.* The net retirement liability recognized in the interim consolidated statement of financial position in respect of defined benefit retirement plan is the present value of the defined benefit obligation at the end of reporting period less the fair value of plan assets, together with adjustments for actuarial gains and losses and past service costs. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflow using interest rates of debt securities that are denominated in Philippine Peso (currency in which the benefits will be paid) and that have terms to maturity approximating the terms of the related retirement liability.

*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.

#### 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 in profit or loss 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 and presented in profit or loss.

#### 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.

#### Provisions and Contingencies

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

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

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

Provisions are reviewed at each reporting period and adjusted to reflect the current best estimate.

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

#### Foreign Currency -denominated Transactions and Translations

Items included in the interim 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 period. 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 periods 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 period 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, carry forward 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 carry forward 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 period 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 period 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 period.

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.

*Value-Added Tax.* 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 interim consolidated statement of financial position.

#### Related Parties Relationship

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 profit (loss) attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the period, 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.

#### Events after the Reporting Period

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

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### **5. Significant Judgments, Accounting Estimates and Assumptions**

The preparation of the unaudited interim 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 interim 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 summary of significant judgments, accounting estimates and assumptions disclosed in the Group's annual consolidated financial statements as at September 30, 2013 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 unaudited interim consolidated financial statements.

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### **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 ₱1,316.9 million. Subsequent to the sale, the remaining investment in RHI with carrying amount of ₱1,030.0 million is classified as investment in an associate (see Note 12).

The sale also resulted to loss of control over RHI and is treated as discontinued operations in accordance with the Amended PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*.

The results of operations of RHI and its subsidiaries for the nine-month period ended June 30, 2014 and 2013 included under “Net income (loss) from discontinued operations” account are summarized below:

	Note	2014	2013
Revenue	21	<b>₱1,194,430</b>	₱3,978,725
Cost of sales and services	22	<b>(954,041)</b>	(2,758,383)
Gross income		<b>240,389</b>	1,220,342
General and administrative expenses	23	<b>(134,135)</b>	(484,314)
Equity in net earnings (losses) of an associate		<b>8,342</b>	22,322
Interest expense - net		<b>(63,579)</b>	(295,334)
Other income - net	25	<b>3,270</b>	31,076
Income before income tax		<b>54,287</b>	494,092
Income tax expense		<b>(12,288)</b>	(189,981)
Net income from discontinued operations		<b>₱41,999</b>	₱304,111

The net income (loss) attributable to equity holders of the Parent Company for the nine-month period ended June 30, 2014 and in 2013 amounted to ₱1.4 million and ₱0.2 million, respectively.

The net cash provided by (used in) discontinued operations for the nine-month period ended June 30, 2014 and in 2013 are as follows:

	2014	2013
Net cash provided by (used in):		
Operating activities	<b>₱2,224,445</b>	(₱930,238)
Investing activities	<b>(197,000)</b>	(61,643)
Financing activities	<b>(2,145,684)</b>	1,253,700
Net increase (decrease) in cash and cash equivalents	<b>(118,239)</b>	261,819
Cash and cash equivalents at beginning of period	<b>165,866</b>	164,408
Cash and cash equivalents at end of period	<b>₱47,627</b>	₱426,227

## 7. Cash and Cash Equivalents

This account consists of:

	June 30, 2014	September 30, 2013
Cash on hand	<b>₱200</b>	₱1,317
Cash in banks	<b>24,978</b>	161,624
Short-term placements	<b>215</b>	35,685
	<b>₱25,392</b>	₱198,626

Cash in banks earn interest at the respective bank deposit rates. Short-term placements are made at varying periods of up to 90 days, depending on the immediate cash requirements of the Group. Short-term placements earn interest ranging from 0.3% to 1.25%.

Interest income earned on cash in banks and short-term placements amounted to ₱0.5 million and ₱1.454 million for the nine-month period ended June 30, 2014 and in 2013, respectively.

## 8. Trade and Other Receivables

This account consists of:

	Note	June 30, 2014	September 30, 2013
Trade		<b>₱45,330</b>	₱1,347,239
Due from:			
Related parties	20	<b>243,351</b>	83,610
Employees		<b>1,146</b>	35,853
Planters and cane haulers		–	45,955
Dividends		–	19,484
Advances for raw sugar purchases		–	18,222
Receivables from Land Bank of the Philippines (LBP)		–	6,228
Others		<b>5,896</b>	11,695
		<b>295,723</b>	1,568,286
Allowance for impairment losses		<b>(12,701)</b>	(95,510)
		<b>₱283,022</b>	₱1,472,776

Breakdown of this account as to current and noncurrent portion are as follows:

	June 30, 2014	September 30, 2013
Current	<b>₱267,692</b>	₱1,455,687
Noncurrent	<b>15,330</b>	17,089
	<b>₱283,022</b>	₱1,472,776

Trade receivables include customers' accounts arising from the sale of real estate 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. Cash received from the sale of real estate properties, which did not meet the revenue recognition criteria as set out in Note 4 are recognized as "Customers' deposits" under "Trade and other payables" in the unaudited interim consolidated statement of financial position.

The aggregate future installment receivables under the sales contracts are as follows:

	June 30, 2014	September 30, 2013
Current	<b>₱26,868</b>	₱59,510
Noncurrent	<b>15,330</b>	11,897
	<b>₱42,198</b>	₱71,407

Due from employees salary, housing and educational loans that are collected from the employees through salary deduction and advances subject to liquidation. The loans to employees are noninterest-bearing, except for certain housing loans extended in 2008 to the employees, which bear interest of 8.0% per annum and are payable in 10 years.

Receivable from LBP represent the unquoted debt security issued by LBP received as a consideration for the investment property expropriated in 2012. Receivables from LBP, which is receivable in ten



equal annual installments until 2019, earns interest, which is receivable on a quarterly basis, ranging from 0.1% to 1.0% in 2013 based on a 91 day Treasury Bills. Interest earned amounted to ₱0.1 million in 2013. These receivables were discounted on October 30, 2013 with net proceeds of ₱5.3 million.

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

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## 9. Inventories

This account consists of:

	<b>June 30, 2014</b>	September 30, 2013
At cost:		
Refined sugar	₱—	₱523,636
Alcohol	—	326,560
Molasses	—	161,019
At NRV:		
Raw sugar	—	244,666
Materials and supplies	<b>15</b>	295,013
	<b>₱15</b>	<b>₱1,550,894</b>

Significant decline in 2014 inventories is due to deconsolidation of sugar related operation.

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## 10. Real Estate for Sale and Development

This account consists of:

	<b>June 30, 2014</b>	September 30, 2013
Raw land and land improvements	<b>₱237,861</b>	₱345,142
Real estate properties for sale	<b>221,716</b>	42,801
	<b>₱459,577</b>	<b>₱387,943</b>

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

	<b>June 30, 2014</b>	September 30, 2013
Aggregate cash price values	<b>₱77,686</b>	₱74,699
Aggregate carrying costs	<b>(41,876)</b>	(42,801)
Excess of aggregate cash price values over aggregate carrying costs	<b>₱35,810</b>	<b>₱31,898</b>

## 11. Other Current Assets

This account consists of:

	June 30, 2014	September 30, 2013
Creditable withholding taxes - net	₱57,329	₱254,561
Input VAT	8,586	217,654
Deposit to suppliers	63	8,372
Insurance	53	5,463
Restricted cash	-	32,839
Others	6,372	19,595
	<b>₱72,403</b>	<b>₱538,484</b>

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

On January 31, 2011, RHI, CACI and CADPI entered into an agreement with Banco de Oro Unibank, Inc. (BDO) for the reduction of interest rate on long-term borrowings to 6.5% subject to certain conditions. Restricted cash represents savings from the reduction of the interest rate, deposited to the Company's escrow account as required under the provision of the agreement with BDO, to be applied as partial principal payments of long-term borrowings on top of the required loan amortization (see Note 16).

Deposit to suppliers pertains to purchases of goods and services.

Other current assets consist of prepaid rent and others.

## 12. Investments in Associates and a Joint Venture

Movements of investments in associates and a joint venture are as follows:

	Note	June 30, 2014	September 30, 2013
<b>Acquisition cost:</b>			
Balance at beginning of period		₱308,162	₱308,162
Investment in Roxaco Vanguard Hotel Corp.		100,551	-
Investment in Roxaco Commercial Prop.		(100)	-
Reclassification of:			
Investment in RHI	6	1,029,982	-
Investment in HP Co.	6	(127,933)	-
Balance at end of period		<b>1,310,662</b>	308,162
<b>Accumulated equity in net earnings:</b>			
Balance at beginning of period		310,989	265,920
Reclassification of:			
Investment in RHI		785,015	-
Investment in HP Co.		(279,455)	-
Equity in net earnings		144,162	68,027
Dividends received		(35,856)	(22,958)
Balance at end of period		<b>924,855</b>	310,989

(Forward)

Note	June 30, 2014	September 30, 2013
Unrealized gain on transfer of land	(P59,030)	(P59,030)
Share in:		
Revaluation increment on land	-	207,492
Fair value reserve	5,179	5,179
	<b>2,181,666</b>	772,792
Allowance for impairment losses	(15,233)	(15,233)
	<b>P2,166,433</b>	P757,559

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. As a result, the remaining 35% interest in RHI is now accounted for as an investment in associate (see Note 6).

On December 3, 2013, RLC entered into a 50%-50% Joint Venture Agreement with Singapore's Vanguard Hotels Group to build a minimum of five "Go Hotels" in Metro Manila and in selected provincial destinations over the next two or three years. On March 28, 2014 and June 2, 2014, RLC has paid a capital contribution amounting to P53.0 million and P47.5 million respectively.

The following are the associates of the Group:

	Percentage of Ownership	Principal Activity
HP Co	29.62 <sup>(1)</sup>	Sugar mill
Fuego Land Corporation (FLC)	30.00 <sup>(2)</sup>	Real estate developer
Fuego Development Corporation (FDC)	30.00 <sup>(2)</sup>	Real estate developer
Club Punta Fuego, Inc. (CPFI)	25.20 <sup>(2)</sup>	Social recreational and athletic activities
Roxaco-ACM Development Corporation (RADC)	50.00 <sup>(2)</sup>	Real estate developer
Roxas Holdings, Inc. (RHI)	35.00 <sup>(3)</sup>	Holding Company
Roxaco Vanguard Hotel Corporation (RVHC)	50.00 <sup>(4)</sup>	Hotel Industry

(1) Effective ownership through RHI as at September 30, 2013. This was derecognized upon disposal of RHI.

(2) Effective ownership through RCI. In 2012, RCI has 26.12% effective ownership interest in CPFI.

(3) Effective December 2013 (see Note 1).

(4) Joint Venture Agreement entered on December 2013.

All the associates are incorporated in the Philippines.

Investment in RADC amounting to P3.7 million was provided with allowance for impairment loss as at June 30, 2014 and September 30, 2013.

The accumulated equity in net earnings of associates amounting to P924.8 million and P311.0 million as at June 30, 2014 and September 30, 2013, respectively, is not available 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:

June 30, 2014						
	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Office Furniture, Fixtures and Equipment	Land and Improvements	Total
<b>Cost</b>						
Balance at beginning of year	₱10,345	₱2,423	₱7,197	₱13,371	₱1,081	₱34,417
Additions	–	–	2,053	407	–	2,460
Balance at end of year	10,345	2,423	9,250	13,778	1,081	36,877
<b>Accumulated Depreciation</b>						
Balance at beginning of year	8,643	2,423	6,281	11,948	553	29,848
Depreciation	206	–	678	552	14	1,450
Balance at end of year	8,849	2,423	6,959	12,500	567	31,298
<b>Net Book Value</b>	<b>₱1,496</b>	<b>₱–</b>	<b>₱2,291</b>	<b>₱1,278</b>	<b>₱514</b>	<b>₱5,579</b>

September 30, 2013						
	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Office Furniture, Fixtures and Equipment	Construction in Progress	Total
<b>Cost</b>						
Balance at beginning of year	₱2,769,756	₱11,935,543	₱34,587	₱81,046	₱63,506	₱14,884,438
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	2,786,167	12,065,825	34,587	85,047	101,929	15,073,555
<b>Accumulated Depreciation</b>						
Balance at beginning of year	974,802	5,433,890	23,668	68,657	–	6,501,017
Depreciation	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
<b>Net Book Value</b>	<b>₱1,698,405</b>	<b>₱6,080,544</b>	<b>₱4,996</b>	<b>₱10,689</b>	<b>₱101,929</b>	<b>₱7,896,563</b>

Land at appraised values and had it been carried at cost amounts to ₱2,758.3 million as at June 30, 2014 and September 30, 2013.

Construction in progress pertains mainly to uncompleted regular Sugar plant improvements and rehabilitation of milling equipment.

The Group has no borrowing cost capitalized during 2013. Unamortized capitalized borrowing cost as at September 30, 2013 amounted to ₱483.8 million with corresponding deferred tax liability of ₱145.1 million (see Note 26). The Group amortizes such capitalized interest over the useful life of the qualifying asset to which it relates.

The amount of depreciation charged to operations as shown under “General and administrative expenses” in the statement of income for the nine-month period ended June 30, 2014 and in 2013 amounted to ₱1,290 and ₱1,285, respectively (see Note 23).

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

#### 14. Investment Properties

This account consists of:

	<b>June 30, 2014</b>	September 30, 2013
Land properties	<b>₱4,424,074</b>	₱4,615,912
Building	<b>8,419</b>	8,419
	<b>₱4,432,493</b>	₱4,624,331

Movements on investment properties are as follows:

	Note	<b>June 30, 2014</b>	September 30, 2013
Balance at beginning of period		<b>₱4,624,331</b>	₱4,624,562
Effect of deconsolidation of RHI	6	<b>(191,838)</b>	-
Unrealized fair value gains (losses)		-	(231)
Balance at end of period		<b>₱4,432,493</b>	₱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 Comprehensive Agrarian Reform Law (CARL) with total land area of 2,514.76 hectares and total value of ₱4,223.4 million as at September 30, 2013 (see Note 28).

As at June 30, 2014 and September 30, 2013, the fair value of investment properties including those land properties subjected to CARL are based on the appraised values of the properties as at November 30, 2012, as determined by a professionally qualified independent appraiser. Management believes that there is no significant change in fair value of investment properties in 2014.

Investment properties with carrying value of ₱6.2 million are used as collateral for the long-term borrowings (see Note 16).

#### RLC

Investment property of RLC pertains to a commercial building for lease in Nasugbu, Batangas. The fair value of the investment property as at June 30, 2014 and September 30, 2013 are based on the appraisal reports dated November 17, 2013 and October 25, 2012, respectively, as determined by a professionally qualified independent appraiser.

In 2013, RLC recognized additional unrealized loss on fair value adjustment amounting to ₱0.2 million.

Rental income from investment property amounted to ₱0.46 million and ₱0.49 million for the nine-month period ended June 30, 2014 and 2013, respectively (see Note 25).

The investment property was used as collateral for RLC's long-term borrowings (see Note 16).

*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.

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#### 15. Short-term Borrowings

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

As at June 30, 2014 and September 30, 2013, short-term borrowings amounted to ₱56.5 million and ₱1,064.0 million, respectively.

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#### 16. Long-term Borrowings

Long-term borrowings consist of loans from:

	June 30, 2014	September 30, 2013
BPI	₱150,000	₱900,000
BDO	118,125	5,120,694
BPI Family Savings Bank	1,932	4,095
Syndicated Loans:		
BPI	-	896,552
Rizal Commercial Banking Corporation (RCBC)	-	448,276
	<b>270,057</b>	7,369,617
Current portion	<b>(49,432)</b>	(158,277)
Noncurrent portion	<b>₱220,625</b>	₱7,211,340

Outstanding balance of long-term loans availed by the Group are as follows:

	June 30, 2014	September 30, 2013
Parent Company	₱150,000	₱400,000
RLC	120,057	134,095
RHI and subsidiaries	-	6,835,522
Noncurrent portion	<b>₱270,057</b>	₱7,369,617

#### Loans availed by the Parent Company

In September 2013, the Company availed of ₱400.0 million short term loans with BPI to pay off its long term loans with BDO. The loans with BDO were obtained to finance the group restructuring in 2009.

On January 21, 2013, BPI approved the modified principal repayment schedule of the short-term loans into long-term loan, which bears interest ranging from 4.5% to 5.05%. Interest is payable

quarterly in arrears. Principal is payable in twenty (20) equal amortizations commencing at the end of 9<sup>th</sup> quarter after the drawdown until 2019.

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

	Note	Amount
Shares of stock of RHI (99.6 million shares)		₱322,265,093
Real estate for sale and development of RLC	10	178,820,765
Investment property	14	6,216,000
Property, plant and equipment	13	369,989
		<u>₱507,671,847</u>

#### Loans availed by RHI and its subsidiaries

##### *BDO Loan Facilities*

On February 8, 2008, RHI signed the long-term loan facility with BDO for an aggregate amount of ₱6,189.0 million to finance the Group's Expansion Project, by purchasing second-hand mills and related equipment, and Share Buyback Program. The loan facility is shared by RHI and CADPI/CACI amounting to ₱1,570.0 million and ₱4,619.0 million, respectively. Drawdowns in 2008 by RHI, CADPI and CACI from said facility amounted to ₱718.3 million, ₱824.9 million and ₱395.3 million, respectively, payable in 28 quarterly installments, beginning August 5, 2011, with interest subject to quarterly repricing.

In 2009, CACI obtained additional loan from BDO amounting to ₱781.0 million with fixed interest at 8.94%. Furthermore, in 2010, CADPI availed additional loan amounting to ₱1,050.5 million, with fixed interest at 8.84%. Both loans are payable in 28 monthly installments beginning August 5, 2011.

In 2010, RHI, CADPI and CACI exercised its option to fix the quarterly interest of the loans at 8.93% beginning August 5, 2009 until the end of the terms of the loans. However, in 2011, pursuant to the agreement with BDO, the interest has been reduced to 6.5%, subject to certain conditions. Such conditions required, among others, that the amount of savings from the reduction of the interest rate be deposited to the Group's escrow account to be applied for partial principal payments of the loans on top of the loan amortization (see Note 11).

In 2012, RHI, CADPI and CACI entered into another agreement with BDO to modify the interest and repayment schedule of the loans. Such an agreement includes an option to convert the interest into fixed rate and revise the repayment schedule to a seven-year amortization period with equal quarterly payments commencing on November 5, 2014. To date, RHI, CADPI and CACI have not exercised its option to convert the interest into fixed rate.

On June 17, 2011, RBC availed long-term loan with BDO amounting to ₱925.0 million to finance its working capital requirements. The loan is payable quarterly starting on the 3rd year of the 10-year term from drawdown date until October 17, 2017. The grace period on the principal amortization has been extended from the first 24 to the first 36 months as requested by RBC and approved by BDO on May 9, 2013. The loan bears interest ranging from 5.00% to 5.25% in 2013, which is being repriced quarterly.

In February 2012, RHI availed of three-year car loan amounting to ₱1.6 million. The principal and interest of the loan are payable in equal monthly installments until February 2015.

On February 1, 2013, RHI, CADPI and CACI entered into a new loan facility agreement with BDO for an aggregate amount of ₱800.0 million to finance their working capital requirements. On February 15, 2013, CADPI's drawdown of ₱800.0 million against this new loan facility is secured by a pledge of shares of HP Co. The interest, which is payable every after 30 days, is subject to a quarterly repricing based on prevailing market rate. The loan is payable on February 15, 2016.

*Syndicated Loans with BPI and RCBC*

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 line of ₱1,500.0 million. On March 12, 2008, CADPI and CACI signed an amendment to the Syndicated Loan Agreement clarifying certain provisions of the original agreement. In 2008, CADPI and CACI availed of a 10-year term loans from BPI amounting to ₱310.8 million and ₱129.8 million, respectively, and from RCBC amounting to ₱155.0 million and ₱64.9 million, respectively. The loans are payable in 29 quarterly installments until August 2018, with floating interest subject to quarterly re-pricing.

In 2009, CACI availed of additional loans from undrawn portion of the total credit facility from BPI amounting to ₱230.2 million, with fixed interest of 8.74% and from RCBC amounting to ₱113.8 million, with fixed interest of 8.80%. In 2010, CADPI also obtained additional loans from BPI amounting to ₱329.3 million, with fixed interest of 8.70%, and from RCBC amounting to ₱166.2 million, with fixed interest of 8.76%. These loans are payable in 29 equal quarterly installments beginning May 5, 2011 until May 5, 2018.

In 2010, interest was fixed to 8.79% for BPI loans and 8.93% and RCBC loans beginning August 5, 2009 until the end of the loan terms.

On February 6, 2012, CADPI and CACI entered into a Second Amendment with BPI and RCBC for the modification of interest and principal repayment schedule of the loans. The amendment provides for a floating interest, which is similar to the interest for the 2012 amendment in the BDO loans, with a one-time option to convert the interest into fixed rate. The one-time option to convert the interest into fixed rate is equivalent to: (a) benchmark rate plus 1.36% for BPI loans, and; (b) benchmark rate plus 1.50% for RCBC loans. The amendment also provides that CADPI and CACI repay the balance of the loans in 15 equal consecutive quarterly installments beginning November 5, 2013.

*BPI Loan Facility*

On June 14, 2012, CADPI availed of additional loan from BPI thru a separate loan agreement amounting to ₱500.0 million, the proceeds of which was used 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 RRP overnight rate plus 1.50%. Gross receipts tax is for the account of CADPI. The loan is payable in 15 equal quarterly installments on each scheduled repayment date, with the first installment commencing not later than November 5, 2014, until May 5, 2018.

On various dates in 2013, principal loan payments of RHI, CADPI and CACI, amounted to ₱24.0 million, ₱60.6 million and ₱38.6 million, respectively.

Loans availed by RLC

On February 3, 2009, RLC obtained a term-loan facility from BDO amounting to ₱40.0 million to finance the development of its real estate projects (see Note 10). The loan facility was released on a staggered basis, with the first ₱8.0 million issued in 2009 and the remaining ₱32.0 million



released in 2010. The loans bear fixed interest rates ranging from 6.1% to 6.6% for the first 45 to 92 days to be repriced every 30 to 180 days. Principal amounts are payable quarterly after the two-year grace period allowed by the bank, until May 4, 2014.

The loan facility is secured by RLC's investment property, with fair value of ₱8.4 million as at September 30, 2013 (₱8.7 million as at December 31, 2012), as well as the assignment of leasehold rentals from the said property (see Note 14).

#### Suretyship Agreements and Mortgage Trust Indenture and Debt Covenants

*Parent Company.* 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.

*RHI and its Subsidiaries.* In relation to the BDO Loan Facility executed on February 8, 2008, RHI, CADPI and CACI, entered into a Continuing Suretyship Agreement with BDO. Under this Agreement, BDO shall have the right to set-off the secured obligations in solidarity against all the borrowers' properties.

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

Further in 2009, RHI, CADPI and CACI executed a MTI to secure the loans obtained from BDO, BPI and RCBC. The MTI covers properties in: (a) Nasugbu, Batangas, which consist mainly of RHI's land and CADPI's properties with an aggregate carrying value of ₱2.2 billion and ₱3.5 billion, respectively, as at September 30, 2013 (₱2.2 billion and ₱3.8 billion as at September 30, 2012, respectively); and (b) CACI's properties in La Carlota, Negros Occidental with an aggregate carrying value of ₱3.4 billion as at September 30, 2013.

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

#### Interest

Total interest expense recognized from short-term and long-term loans amounted to ₱12.7 million and ₱19.2 million for the nine-month period ended June 30, 2014 and in 2013, respectively.

#### 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, unless the required financial ratios are maintained.

In November 2013, the Group obtained from creditor banks a letter consenting on the sale of 31% of the total equity of RHI owned by the Parent Company in favor of First Pacific (see Note 1).

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

#### Maturities of Long-term Borrowings

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

	June 30, 2014	September 30, 2013
Less than one year	₱49,432	₱158,277
Between one and two years	125,000	1,278,994
Between two and five years	95,625	2,589,478
Over five years	–	3,342,868
	<b>₱270,057</b>	<b>₱7,369,617</b>

#### **17. Trade and Other Payables**

This account consists of:

	Note	June 30, 2014	September 30, 2013
Trade		₱47,748	₱245,609
Due to:			
Related parties	20	106,485	59,465
Contractors		-	21,385
Planters		-	11,158
Others		3,230	-
Customers' deposit		25,126	47,430
Retention payable		9,749	7,285
Accrued expenses:			
Interest		2,562	51,132
Outside services		488	318
Payroll and other benefits		2,070	40,209
Others		9,147	31,810
Statutory payables for taxes and statutory contributions		4,028	130,561
Provision for losses		-	48,438
Others		9,043	86,561
		<b>₱219,676</b>	<b>₱781,361</b>

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

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

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

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

Details of customers' deposits are as follows:

	<b>June 30, 2014</b>	September 30, 2013
Real estate properties	<b>₱25,156</b>	₱17,036
Sugar and molasses	-	30,394
	<b>₱25,156</b>	₱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 will be applied against future deliveries of sugar and molasses which are expected to be completed in the next 12 months. Deposits from sale of real estate properties will be applied against the receivable from the customers upon recognition of revenue.

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## 18. Retirement Benefits

The Parent Company and its subsidiary, RLC maintain individual and separately funded non-contributory defined benefit plans (the Plans) covering all eligible employees.

The following tables summarize the components of retirement benefits recognized in the unaudited interim consolidated statement of income and net retirement assets of nil and ₱127.4 million and net retirement benefit liability of ₱3.0 million and ₱14.7 million recognized in the unaudited interim consolidated statement of financial position for the respective Plans.

### Retirement Benefit Costs

The consolidated retirement benefit costs recognized follow for the period ended June 30, 2014 and September 30, 2013, respectively:

	<b>2014</b>	2013
Current service cost	<b>₱1,591</b>	₱32,142
Interest cost	<b>379</b>	29,719
Expected return on plan assets	-	(28,473)
Actuarial loss (gain)	-	4,834
Curtailment loss	-	13,828
Amortization of net transitional liability	-	6,219
	<b>₱1,970</b>	₱58,269

Net Retirement Plan Assets

The amounts recognized as net retirement plan assets in the consolidated statement of financial position follows:

	<b>June 30, 2014</b>	September 30, 2013
Present value of obligation	P-	P92,570
Fair value of plan assets	-	83,393
Deficit	-	(9,177)
Unrecognized actuarial loss	-	136,322
<b>Net retirement plan assets</b>	<b>P-</b>	<b>P127,145</b>

Plan assets cannot be returned to the Parent Company and RLC unless on circumstances discussed in Note 4. The net retirement plan assets as at June 30, 2013 and September 30, 2013 amounted to nil and P127.1 million, respectively, will be used to reduce future contributions to the retirement fund. Consequently, a portion of the Group's retained earnings related to retirement plan asset, net of deferred tax effect, is not available for dividend declaration.

FHPMC, on the other hand, provides for the estimated retirement benefits of qualified employees as required under Republic Act (RA) No. 7641, *Retirement Pay Law*. In the absence of a formal retirement plan, under the RA 7641, an employee who retires shall be entitled to retirement pay equivalent to at least one-half month salary of every year of service, a fraction of at least six months being considered as one whole year.

The amounts recognized as net retirement liability in the consolidated statement of financial position follows:

	<b>June 30, 2014</b>	September 30, 2013
Present value of obligation	<b>P18,822</b>	P437,295
Fair value of plan assets	<b>(15,840)</b>	(215,215)
Deficit	<b>2,982</b>	222,080
Unrecognized actuarial loss	-	(207,338)
<b>Net retirement benefit liability</b>	<b>P2,982</b>	<b>P14,742</b>

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**19. Equity**

a. Capital Stock

Details of capital stock follow:

	Number of Shares	Amount
Common stock "Class A" - P1 par value Authorized	3,375,000,000	P3,375,000,000
Issued shares as at September 30, 2013	2,911,885,869	P2,911,885,869
Treasury shares - at cost	(990,384,775)	(1,683,654,117)
<b>Issued and outstanding as at June 30, 2014</b>	<b>1,921,501,094</b>	<b>P1,228,231,752</b>

On December 3, 2013, RCI implemented the buyback of 990,384,775 shares from four of its stockholders at the price of ₱1.70 per share in a private sale, representing 34% of the outstanding capital stock of RCI. The BOD approved the said 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 major activities relating to the Reorganization Program. As part of the 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 per share for ₱2.0 billion, the cost of investments in RHI's books immediately before transfer. CADPGC recognized a premium of ₱596.8 million and set-up 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 Philippine 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

As discussed in Note 1, CADPGC and RCI 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, RCI's investment in CADPGC amounting to ₱119.0 million

in 2008 prior to the merger was accounted for as treasury stock. 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 RCI 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, SEC had concurred with the adjustments made by the Parent Company (see Note 14).

e. Retained Earnings

*Restricted retained earnings*

Retained earnings that are not available for dividend declaration are as follows:

	Note	June 30, 2014	September 30, 2013
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
		<b>₱486,620</b>	<b>₱486,620</b>

On October 14, 1999, the Philippine 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."

*Dividend declaration*

Cash dividends declared by the Company from 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 ₱5.2 million and ₱4.4 million as at June 30, 2014 and September 30, 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 March 2014		
First	₱7.86	₱2.35
Second	4.50	1.65
Third	3.55	2.70
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
July 2011 through September 2011	1.11	1.10

## 20. Related Party Transactions

The transactions and related balances of the Group with other related parties as at and for the nine-month period ended June 30, 2014 are as follows:

Related Party	Nature of Transaction	Transaction During the Period	Net Amount Due from Related Parties	Net Amount Due to Related Parties
<b>Associates</b>				
FDC	Noninterest-bearing advances	₱-	₱35,862	₱2,386
	Dividends receivable	-	4,500	-
	Interest-bearing advances	-	-	10,825
FLC	Noninterest-bearing advances	-	-	8,811
	Dividends receivable	-	14,979	-
RADC	Noninterest-bearing advances	-	-	10,966
RHI	Noninterest-bearing advances	-	2,628	19,172
Central Azucarera Dela Carlota, Inc.	Interest-bearing advances	220,000	165,000	-
	Noninterest-bearing advances	-	-	25,522
CADPI	Noninterest-bearing advances	-	-	1,740
<b>Joint Venture Partner</b>				
VJ Properties, Inc.(VJPI)	Noninterest-bearing advances	-	7,705	-
Marilo Realty Development Corporation	Noninterest-bearing advances	-	92	342
LPC	Defrayment of cost and expenses for restructuring	-	3,112	26,413
Others		-	9,472	308
		220,000	243,350	106,485
Allowance for impairment		-	(3,110)	-
		<b>₱220,000</b>	<b>₱240,240</b>	<b>₱106,485</b>

- a. 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 shall be computed in proportion to the number of club shares which 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, 2013, RLC is still in negotiation with FDC for the allocation of the actual number of shares assigned.
- b. Advances to and from related parties used for working capital requirements are noninterest-bearing and have no fixed repayment terms.
- c. Transactions and balances with related parties eliminated during consolidation are as follows:

	<b>June 30, 2014</b>	June 30, 2013
Due to related parties:		
RLC	<b>₱17,180</b>	₱10,509
UVC	<b>599</b>	1,454
SMMSI	<b>1,081</b>	-
	<b>18,860</b>	-
Dividends Receivable	<b>4,000</b>	-
Deposit for future subscription	<b>102,000</b>	-
Dividend Income	<b>2,000</b>	-
Management Fee	<b>5,400</b>	5,400
Property Maintenance Fee	<b>1,750</b>	-

Outstanding balances at year-end are unsecured and settlement occurs in cash, unless otherwise indicated above. No guarantees have been provided or received for these balances. Impairment review is undertaken each financial year.

As at June 30, 2014 and September 30, 2013, allowance for impairment loss amounted to ₱3.1 million pertains to LPC.

Compensation of key management for the nine-month period ended June 30, 2014 and in 2013 are as follows:

	<b>2014</b>	2013
Salaries and other short-term benefits	<b>₱5,773</b>	₱9,050
Retirement benefits	<b>1,638</b>	960
	<b>₱7,411</b>	₱10,010

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. The issuance of the share component is pending the approval of the SEC as at June 30, 2014.

There are no other long-term benefits, termination benefits and share-based payment.



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## 21. Revenue

Revenue from continuing operations for the nine-month period ended June 30 and in 2013 pertains to sale of real estate amounting to ₱81,699 and ₱54,890, respectively.

Revenue from discontinued operations for the nine-month period ended June 30 consists of:

	Note	2014	2013
Sale of:			
Refined sugar		<b>₱586,235</b>	₱1,279,835
Raw Sugar		<b>432,770</b>	2,235,555
Alcohol		<b>121,881</b>	148,027
Molasses		<b>53,544</b>	296,193
Tolling fees		-	19,115
	6	<b>₱1,194,430</b>	₱3,978,725

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## 22. Cost of Sales

Cost of sales from continuing operations pertain to cost of real estate amounting to ₱49.3 million and ₱15.5 million for the nine-month period ended June 30, 2014 and 2013, respectively.

Cost of sales from discontinued operations consists of:

	Note	2014	2013
Purchased sugar & molasses		<b>₱853,755</b>	₱92,235
Cost of transporting cane to mill		<b>138,361</b>	562,373
Direct labor		<b>51,380</b>	208,887
Net changes in inventories		<b>(858,532)</b>	403,576
Manufacturing overhead:			
Materials and consumables		<b>528,250</b>	346,664
Depreciation		<b>105,102</b>	447,718
Repairs and maintenance		<b>54,810</b>	148,397
Taxes and licenses		<b>19,818</b>	48,641
Outside services		<b>15,046</b>	85,843
Communication, light and water		<b>14,944</b>	289,188
Salaries, wages and employee benefits		-	-
Others		<b>31,107</b>	92,350
Provision for inventory losses		-	32,511
	6	<b>₱954,041</b>	₱2,758,383

## 23. Operating Expenses

### General and Administrative Expenses

The components of general and administrative expenses consist of:

	2014	2013
Salaries, wages and other employee benefits	P25,825	P23,908
Outside services	15,346	8,987
Selling and marketing expenses	13,164	10,942
Taxes and licenses	3,109	6,458
Communication, light and water	2,454	2,548
Representation and entertainment	2,221	2,569
Travel and transportation	1,374	1,345
Depreciation	1,290	1,877
Rent	1,112	939
Repairs and maintenance	892	1,492
Materials and consumables	415	721
Corporate social responsibility	366	56
Insurance	218	235
Others	4,372	7,811
	<b>P72,156</b>	<b>P69,888</b>

Others include association dues, training and development and other miscellaneous expenses.

### Selling Expenses

Selling expenses mainly pertain to delivery charges, marketing, commission on real estate sales and advertising and promotion expenses.

The general and administrative expenses from discontinued operations consist of:

	2014	2013
Salaries, wages and other employee benefits	P49,177	P146,219
Outside services	23,522	43,522
Selling and marketing expenses	13,958	62,861
Taxes and licenses	7,632	67,507
Representation and entertainment	5,687	1,385
Communication, light and water	3,572	7,804
Depreciation	2,737	35,653
Rent	2,303	16,439
Repairs and maintenance	2,183	4,207
Travel and transportation	1,787	4,867
Materials and consumables	885	17,502
Insurance	768	16,666
Corporate social responsibility	182	8,257
Others	19,742	51,425
	<b>P134,135</b>	<b>P484,314</b>

#### 24. Personnel Costs

The components of employee benefits for the nine-month period ended June 30, 2014 and in 2013 are as follows:

	2014	2013
Salaries and wages	P16,672	P16,295
Allowances and other employee benefits	6,138	5,382
Pension costs	3,015	2,231
	<b>P25,825</b>	<b>P23,908</b>

#### 25. Other Income

This account consists of:

	2014	2013
Rental	P1,634	P-
Others	17,306	11,546
	<b>P18,940</b>	<b>P11,546</b>

Other income from discontinued operations amounted to P3.3 million and P31.1 million for the nine-month period ended June 30, 2014 and in 2013 (see Note 6).

#### 26. Income Taxes

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

	June 30, 2014	September 30, 2013	
	Net Deferred Tax Assets <sup>(1)</sup>	Net Deferred Tax Assets <sup>(1)</sup>	Net Deferred Tax Liabilities <sup>(2)</sup>
Deferred tax assets on:			
Unamortized past service cost	P1,246	P71,490	P398
Allowance for:			
Investments in associates	1,384	1,384	-
Impairment losses of receivables	933	34,942	-
Inventory losses and obsolescence	-	4,275	-
Creditable withholding taxes	-	3,663	-
Taxable temporary difference arising from use of installment method	1,626	1,626	-
Pre-operating expenses	-	-	27,711
Various accruals	-	23,418	-
Excess MCIT	-	9,521	-
Net retirement liabilities	-	4,423	-
Deferred gross profit on inventory	-	4,390	50
Employee stock option	-	155	427
	<b>5,189</b>	<b>159,287</b>	<b>28,586</b>

(Forward)

	June 30, 2014	September 30, 2013	
	Net Deferred Tax Assets <sup>(1)</sup>	Net Deferred Tax Assets <sup>(1)</sup>	Net Deferred Tax Liabilities <sup>(2)</sup>
Deferred tax liabilities on:			
Unamortized capitalized interest	P-	(P117,386)	(P27,760)
Revaluation increment on land	-	(4,995)	(743,289)
Net retirement plan assets	(724)	(724)	(37,419)
Unrealized gain on fair value adjustment on investment property	(381)	(381)	(1,605)
Share of noncontrolling interest on revaluation increment on land	-	-	(17,004)
Unrealized foreign exchange loss	(1)	(1)	
Unrealized share in fair value reserve of an associate	(171)	(171)	-
	<b>(1,277)</b>	<b>(123,658)</b>	<b>(827,077)</b>
Net deferred tax assets (liabilities)	<b>P3,912</b>	<b>P35,629</b>	<b>(P798,491)</b>

(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 RHI and NAVI.

## 27. Earnings Per Share

Basic/diluted earnings per share are computed as follows:

Attributable to the equity holders of the Parent Company	June 30, 2014	June 30, 2013
Net income (loss)	<b>P1,457,796</b>	P167,646
Continuing operations	<b>1,416,209</b>	(20,240)
Discontinued operations	<b>41,587</b>	187,886
Weighted average number of shares issued and outstanding	<b>2,141,587</b>	2,911,886
Basic/diluted earnings (loss) per share	<b>P0.68</b>	P0.06
Continuing operations	<b>0.66</b>	(P0.01)
Discontinued operations	<b>0.02</b>	P0.07

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

## 28. Commitments and Contingencies

### The Parent Company

*Land Properties Subjected to 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 Company's three *haciendas* - Palico, Banilad and Carmen/Caylaway.

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 CARL exemption of its three Haciendas in Nasugbu. 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 lands in Nasugbu, Batangas to non-agricultural lands. However, the Court noted that the 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 fourteen (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 CARP.

In October 2012, the Parent Company disclosed that DAR published the Notice of Coverage 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 6657 vs. RA 9700)). The protest is still pending before the DAR.

In total, there are about 222 hectares of land that were declared by the courts or the DAR as exempt from the coverage of 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 CARP. As at the date of the report, there is no agreement yet with the DAR on the properties approved for VOS. Thus, the VOS has no financial impact in 2013.

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.

### RCI and its subsidiaries

#### a. Unused Credit Lines

As at June 30, 2014, the Group has unused lines of credit with local banks amounting to ₱704.0 million and ₱2,922.5 million as at September 30, 2013.

#### b. Joint Venture

On December 2, 2009, RLC entered into a joint venture agreement 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 among themselves the developed saleable lots and villas. Total costs incurred for the project as at June 30, 2014 amounted to ₱228.7 million, and are presented as part of "Raw land and land improvements" under "Real estate for sale and development" in the interim consolidated statement of financial position (see Note 8).

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## 29. Seasonality of Operations

Demand for raw and refined sugar products are significantly influenced by seasons of the year. The seasonality also influences production and inventory levels and product prices. Annual repairs and maintenance are performed before the start of the milling, which is normally in the first and second quarter of the crop/financial year.

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## 30. Financial Instruments

### Risk Management, Objectives and Policies

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).

*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 ₱73.4 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.

*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 quantitative disclosures on risks associated with the Group's financial instruments and the related risk management processes and procedures are disclosed in the annual consolidated financial statements as at September 30, 2013.

#### 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 nine-month period ended June 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 financial ratios:

	<b>June 30, 2014</b>	September 30, 2013
Total liabilities	<b>₱554,448</b>	₱10,084,195
Total equity	<b>6,904,594</b>	10,281,282
Total liabilities and equity	<b>₱7,459,042</b>	₱20,365,454
Debt-to-equity ratio	<b>0.07:1.00</b>	0.98:1.00

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### 31. Segment Reporting

The Group's identified operating segments, which are consistent with the segments reported to the BOD, are as follows:

a. The Parent Company

The Company owns various tracts of lands in Nasugbu, Batangas. These investment properties can be sold directly to a developer, or contributed to a joint venture for development.

b. 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 investments in other real estate companies, namely Fuego Hotels and Properties Management Corporation, Fuego Development Corporation, Fuego Land Corporation, Club Punta Fuego, Inc., Roxaco Vanguard Hotel Corporation and Roxaco-ACM Development Corporation.

c. Sugar-Related Businesses

RHI is a diversified holding and investment corporation with specific focus on sugar milling and refining business. RHI owns the following subsidiaries, which are organized and managed separately on a per Company basis, with each company representing a strategic business segment.

- CADPI is engaged in the business of producing, marketing and selling raw and refined sugar, molasses and other related products or by-products and offers tolling services to traders and planters. It has a raw sugar milling and refinery plant located in Nasugbu, Batangas with daily cane capacity of 18,000 metric tons as at March 31, 2014 and 2013. CADPI's raw sugar milling is involved in the extraction of juices from the canes to form sweet granular sugar which is light brown to yellowish in color. Canes are sourced from



both district and non-district planters and are milled by CADPI under a production sharing agreement. The refinery operation, on the other hand, involves the processing of raw sugar (mill share and purchased) into refined sugar, a lustrous white-colored sugar. To ensure maximum utilization of the refinery, CADPI also offers tolling services, which converts raw sugar owned by planters and traders into refined sugar in consideration for a tolling fee.

- CACI produces raw sugar and molasses and trades the same on wholesale/retail basis. It also sells refined sugar upon tolling its raw sugar with other sugar mills. Its sugar milling plant, which has a similar process with CADPI and has a daily cane capacity of 13,000 metric tons as at June 30, 2014 and 2013, is located in La Carlota, Negros Occidental.
- RBC was established to engage in the business of producing, marketing and selling of bio-ethanol fuel, both hydrous and anhydrous products from sugarcane and related raw materials. Its plant facility is located in La Carlota, Negros Occidental.
- CFSI was established to engage in the business of transporting sugar cane, sugar and its by-products including all kinds of commercial cargoes to and from sugar factories, sugar refineries, millsites or warehouses and/or similar establishments by land. CFSI caters various planters in Batangas, Negros, and other provincial areas in Visayas and Southern Luzon.

d. Others

Other segments of the Group, includes which are not reported separately pertain mainly to consultancy business, dealer and trader of agricultural products and pre-operating companies.

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 statement 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.

The following tables present information about the Group's operating segments:

	Nine-month period ended June 30, 2014				Consolidated Balance
	Real Estate	Parent Company	Others	Eliminations/ Adjustments	
<b>Revenue</b>					
Sale of real estate	₱81,699	₱-	₱-	₱-	₱81,699
*Others	18,417	1,362,943	263	(45,740)	1,335,882
	100,116	1,362,943	263	(45,740)	1,417,582
<b>Costs and expenses</b>					
Cost of real estate sales	(49,343)	-	-	-	(49,343)
Operating expenses	(43,984)	(20,285)	(1,872)	7,150	(58,991)
Selling expenses	(13,164)	-	-	-	(13,164)
Interest income	1	3,552	4	-	3,556
Interest expense	(3,396)	(9,272)	-	-	(12,668)
	(109,887)	(26,005)	(1,868)	7,150	(130,610)
Income (loss) before income tax	(9,771)	1,336,938	(1,605)	(38,590)	1,286,971
Income tax expense (benefit)	(1,907)	-	-	-	(1,907)
Income discontinued operations	-	-	-	41,999	41,999
Segment profit (loss)	(11,678)	1,336,938	(1,605)	3,409	1,327,063
Equity in net earnings of associates	-	-	-	144,163	144,163
<b>Consolidated net profit (loss)</b>	<b>(₱11,678)</b>	<b>₱1,336,938</b>	<b>(₱1,605)</b>	<b>₱147,572</b>	<b>₱1,471,227</b>
<b>Assets and Liabilities</b>					
Current assets	₱637,139	₱209,695	₱1,106	(₱22,860)	₱825,079
Noncurrent assets	282,380	5,861,050	1,171	489,364	6,633,965
<b>Total assets</b>	<b>₱919,519</b>	<b>₱6,070,745</b>	<b>₱2,277</b>	<b>₱466,504</b>	<b>₱7,459,044</b>
Current liabilities	₱280,271	₱72,120	₱1,309	(₱22,860)	₱330,841
Noncurrent liabilities	190,215	135,393	-	(102,000)	223,607
<b>Total liabilities</b>	<b>₱470,486</b>	<b>₱207,513</b>	<b>₱1,309</b>	<b>(₱124,860)</b>	<b>₱554,448</b>

\*Includes ₱1.3 million gain on sale of RHI shares

	Nine-month period ended June 30, 2013				Consolidated Balance
	Real Estate	Parent Company	Others	Eliminations/ Adjustments	
<b>Revenue</b>					
Sale of real estate	₱54,890	₱-	₱-	₱-	₱54,890
Others	11,135	44,674	394	(44,657)	11,546
	66,025	44,674	394	(44,657)	66,436
<b>Costs and expenses</b>					
Cost of real estate sales	(15,450)	-	-	-	(15,450)
Operating expenses	(41,333)	(22,588)	(778)	5,753	(58,946)
Selling expenses	(10,942)	-	-	-	(10,942)
Interest income	3,928	1,353	35	-	5,316
Interest expense	(3,715)	(15,450)	-	-	(19,165)
	(67,512)	(36,685)	(743)	5,753	(99,187)
Income (loss) before income tax	(1,487)	7,989	(349)	(38,904)	(32,751)
Income tax expense (benefit)	(67)	-	(11)	-	(78)
Income (loss) discontinued operations	-	-	-	304,111	304,111
<b>Segment profit (loss)</b>	<b>(1,554)</b>	<b>7,989</b>	<b>(360)</b>	<b>265,207</b>	<b>271,282</b>
Equity in net earnings of associates	-	-	-	68	68
<b>Consolidated net profit (loss)</b>	<b>(₱1,554)</b>	<b>₱7,989</b>	<b>(₱360)</b>	<b>₱265,275</b>	<b>₱271,350</b>

(Forward)

Nine-month period ended June 30, 2013

<b>Assets and Liabilities</b>					
Current assets	₱577,271	₱33,452	₱1,981	(₱67,629)	₱545,075
Noncurrent assets	167,986	6,669,582	1,202	(2,222,588)	4,616,182
<b>Total assets</b>	<b>₱745,257</b>	<b>₱6,703,034</b>	<b>₱3,183</b>	<b>(₱2,290,217)</b>	<b>₱5,161,257</b>
Current liabilities	₱146,274	₱89,510	₱620	(₱70,971)	₱165,433
Noncurrent liabilities	126,492	400,000	–	171	526,663
<b>Total liabilities</b>	<b>₱146,274</b>	<b>₱89,510</b>	<b>₱620</b>	<b>(₱70,971)</b>	<b>₱165,433</b>

**32. The Nature and Amount of Items Affecting Assets, Liabilities, Equity, Net Income, or Cash Flows that are Unusual Because of their Nature, Size or Incidence**

Other than those disclosed in the notes to the unaudited interim consolidated financial statements, there are no assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidents.

**33. The Nature and Amount of Changes in Estimates of Amounts Reported in Prior Interim Period of the Current Year or Changes in Estimates of Amounts Reported in Prior Years, if those Changes Have a Material Effect in the Current Interim Period**

There are no significant changes in estimates reported in prior interim periods of the current year or changes in estimates reported in prior years, which are considered to have material effect on the unaudited interim consolidated financial statement.



# **ANNEX “B”**

## **MANAGEMENT DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS**

**Third Quarter Ending June 30, 2014 and 2013**

## MANAGEMENT DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

### INTERIM RESULTS – 3RD QUARTER FY 2013-2014

On November 29, 2013, Roxas and Company, Inc. (the Parent Company) sold its 31% equity ownership in Roxas Holdings Inc. (RHI) to First Pacific Natural Resources Holdings BV (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.

As a result, the remaining 35% interest in RHI is now accounted for as an investment in associate. Based on accounting standards for investment in associate, RHI (the sugar group) will be deconsolidated in the financial statements and the share in net earnings of RHI will be recognized in the consolidated statements of comprehensive income. What remained in the main items of the consolidated financial statements are the Parent Company and the real estate group.

In addition, the loss of control is treated as a discontinued operation in accordance with the Amended PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*. Thus, the December 31, 2013 to June 30, 2014 and October 1 to December 31, 2013 share in net income of RHI are shown as Net Income from Discontinued Operations in the consolidated statements of income.

#### Results of Operation

The Group's gross revenue for the third quarter of the fiscal year amounted to ₱81.7 million or 1.49% higher than last year's ₱54.9 million.

Gross profit for the third quarter amounted to ₱32.4 million or 40% of gross revenue. The gross profit rate was lower than last year's 72% as last year includes sale of properties long held by the company at a high margin.

Operating expenses of ₱72.2 million is 3% higher than last year due to expenses related to the sale of RHI shares to First Pacific and the subsequent acquisition of treasury shares by the Parent Company from its shareholders.

Equity in net earnings from its investment in RHI as of June 30, 2014 amounted to ₱144.2 million.

Net financing cost amounted to ₱9.1 million or 34% lower than last year's ₱13.8 million due to the Parent Company's ₱250.0 million payment of its ₱400.0 million long-term borrowings with Bank of the Philippine Islands.

The Parent Company sold 279,247,760 shares representing 31% of the total equity of Roxas Holdings, Inc. (RHI) at ₱8.0 per share or ₱2,220.3 million which generated a net gain on sale of ₱1,316.9 million. Part of the proceeds were used by the Parent Company to acquire treasury shares from its shareholders for a total consideration of ₱1,683.7 million, representing 34% of its outstanding shares and to pay outstanding debts.

Other income from rentals, consultancy fees and forfeited deposits amounted to ₱18.9 million, 64% higher than last year's ₱11.5 million.

The consolidated net income for the third quarter amounted to ₱1,471.2 million, substantially higher than last year's ₱271.4 million due to the gain on the sale of its investment in RHI and improved group operations.

### **Financial Condition**

Consolidated total assets of the Group amounted to ₱7,459.0 million, 63% lower than the consolidated ₱20,365.5 million as of September 30, 2013 due to the deconsolidation of RHI. Total liabilities likewise decreased by 95% from ₱10.1 billion to ₱554.4 million.

The Group's current ratio improved from 2.01:1.00 as of September 30, 2013 to 2.49:1.00 as of June 30, 2014. Debt to equity ratio likewise improved from 0.98:1.00 to 0.08:1.00 for the same period.

Book value per share is ₱3.59 and ₱3.53 as at June 30, 2014 and September 30, 2013, respectively.

Other than the matters discussed above, there are no:

- 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;
- 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.

Total equity decreased by 32% from ₱10,281.3 million as at September 30, 2013 to ₱6,904.6 million as at June 30, 2014 as a result of the sale of the investment in RHI and the buyback of treasury shares.

### **Top Five Performance Indicators**

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 benefits over the developed assets have been transferred to the lot buyer.

*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.

*Collection efficiency on trade receivables and interest.* Sales are booked when collection for lot sold has reached 25%. Interest income on installment sales is booked when collected.

*Earnings before interest, taxes and depreciation (EBITDA)* - 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 presents the top five performance indicators of Roxaco Land Corporation (RLC):

<b>Performance Indicator</b>	<b>For the Period</b>		<b>For the Year Ended September 30,</b>
	<b>Ended June 30,</b>	<b>2014</b>	<b>2013</b>
	<b>(Nine Months)</b>	<b>(One Year)</b>	<b>2012</b>
		<b>(One Year)</b>	<b>(One Year)</b>
Realized gross profit on real estate sales	₱32.4 million	₱48.8 million	₱54.3 million
Number of lots sold / reserved	69 units residential/ 65 memorial	121 unit residential/ 164 memorial	85 lots residential/ 127 memorial
Collection efficiency	98%	99%	99%
EBITDA	(₱4.5 million)	(₱2.4 million)	₱25.5 million
Return on equity	(2.34%)	(1.97%)	2.35%

#### 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 real estate development.  
  
For FY 2013-2014, RLC has programmed ₱410.0 million for project development costs of which ₱237.6 million is for Anya Resort, ₱45.8 million for Landing Townhomes, ₱25.3 million for Orchards and ₱101.3 million is for new projects.
5. The Company is not aware of any known trend, events or uncertainties that will have material impact on sales.
6. Other than matters previously discussed, the Company is not aware of causes for any material changes from period to period in the financial statements.

## 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.
- 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.
- The Group increased its investments through approval of a 50/50 Joint Venture in Roxaco-Vanguard Hotel Corporation to develop five "Go Hotels" with Singapore's Vanguard Hotels Group. Capitalization was made through RLC and funded by the Parent Company. Total commitment for the investment is about ₱367.0 million.
- Increase capitalization in Fuego Hotels Properties Management Corporation (FHPMC), a subsidiary of RLC, by ₱10.0 million to finance its project in Millennium Plaza.
- FHPMC to advance ₱10.0 million to Cauyan Resort (the Resort), a property management client, to complete the resort construction as well as for pre-opening costs. The Resort's target opening is by the end of 2014.



ROXAS AND COMPANY, INC AND SUBSIDIARIES  
 FINANCIAL SOUNDNESS INDICATORS  
 FOR THE PERIOD ENDED JUNE 30, 2014 and 2013

	June 30, 2014	June 30, 2013	Sept. 30, 2013
<b>1. LIQUIDITY RATIO</b>			
Current Ratio	2.49 : 1.00	1.51 : 1.00	2.01 : 1
<b>2. SOLVENCY RATIO</b>			
Debt to Equity ratio	0.08 : 1.00	1.17 : 1.00	0.98 : 1
3. Asset to Equity ratio	1.08	2.17	1.98
4. Interest Rate Coverage rati	114.63	15.06	4.06
<b>5. PROFITABILITY RATIOS</b>			
Return on Assets	20%	1%	2%
Return on Equity	21%	3%	4%
Book Value per share	3.59	3.49	3.59
Earnings per share	0.69	0.09	144.18
Price Earnings	4.50x	32.19x	.017x

**ROXAS AND COMPANY, INC AND SUBSIDIARIES**  
**AGING OF RECEIVABLES**  
**As of June 30, 2014**

IN P'000	Total	Not yet due	Current	Past due			
				30 days	60 days	90 days	120 days
TRADE RECEIVABLES							
Management	3,132	-	1,188	672	92	1,180	-
Real Estate Installment Buyers							
Palm Estates	24,026	9,520	13,111	274	167	121	833
Punta Fuego	6,247	-	3,423	-	-	-	2,824
Role Subdivision	1,455	892	62	8	25	48	420
Landing Townhomes	6,733	1,648	4,746	95	194	50	-
San Antonio Memorial Gardens	3,299	1,683	1,015	119	173	176	133
Leasing	438	71	23	47	20	20	257
TOTAL	45,330	13,814	23,568	1,215	671	1,595	4,467
Less Allowance for doubtful accounts	-						
Balance	<b>45,330</b>	<b>13,814</b>	<b>23,568</b>	<b>1,215</b>	<b>671</b>	<b>1,595</b>	<b>4,467</b>

NON TRADE	Total	Current	Past due			
			30 days	60 days	90 days	Over 90 days
Officers and Employees	1,146	546	-	-	600	-
Related Parties	243,351	165,000	-	-	-	78,351
Others	5,895	1,732	315	216	101	3,531
Total	250,392	167,278	315	216	701	81,882
Less : Allowance for doubtful accounts	(12,701)					(12,701)
	<b>237,692</b>	<b>167,278</b>	<b>315</b>	<b>216</b>	<b>701</b>	<b>69,181</b>

TOTAL SUMMARY	Total	Current	30 days	60 days	90 days	Over 90 days
Trade	45,330	37,382	1,215	671	1,595	4,467
Non-Trade	250,392	167,278	315	216	701	81,882
Total	295,723	204,660	1,530	887	2,296	86,349
Less : allowance for doubtful accounts	(12,701)	-	-	-	-	(12,701)
	<b>283,022</b>	<b>204,660</b>	<b>1,530</b>	<b>887</b>	<b>2,296</b>	<b>73,648</b>

Certified True and Correct :

ARMANDO B. ESCOBAR  
 VP - CFO