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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)

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1 0 1 A G U I R R E S T R E E T L E G A S P I  
V I L L A G E M A K A T I C I T Y

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

ATTY. ALEZANDRO S. CASABAR

810-8901

**SEC Form 20-IS**  
**Definitive Information Statement**  
**(For the period ending 30 September 2015)**

September 30  
Month Day  
Fiscal Year

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

**3,373**

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

Remarks = pls. Use black ink for scanning purposes

**SEC Reg. No. 834**



**ROXAS AND COMPANY, INC.**  
(formerly CADP Group Corporation)  
7/F CG Building, 101 Aguirre St.  
Legaspi Village, Makati City 1229

**810-8901**  
Telephone Number

**30 September 2015**  
Fiscal Year Ending

**Notice of Annual Meeting of Stockholders**

- and -

**SEC FORM 20 - IS**  
**Information Statement**  
**Pursuant to Rule 20 of the**  
**Securities Regulation Code**

**ROXAS AND COMPANY, INC.**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

Notice is hereby given that the Annual Meeting of Stockholders of ROXAS AND COMPANY, INC. (formerly CADP Group Corporation) will be held at the Turf Room of the Manila Polo Club, McKinley Road, Forbes Park, Makati City, 1200 Metro Manila on 09 March 2016 at 10:00 in the morning.

The agenda of the Meeting is:

1. Certification of Notice and Quorum
2. Approval of the Minutes of the Annual Stockholders' Meeting held on 25 February 2015
3. Presentation of the Annual Report to Stockholders
4. Ratification of all Acts and Proceedings of the Board of Directors and Management
5. Election of the Board Directors
6. Election of External Auditors
7. Other Matters
8. Adjournment

Only stockholders of record as at the close of business on 15 January 2016 are entitled to notice of, and to vote at, the Annual Meeting of Stockholders. Registration for the meeting shall start at 9:30 in the morning.

IF YOU CANNOT ATTEND THE MEETING, PLEASE EXECUTE AND RETURN THE PROXY FORM TO THE OFFICE OF THE ASSISTANT CORPORATE SECRETARY C/O 7F CACHO-GONZALES BUILDING, 101 AGUIRRE STREET, LEGASPI VILLAGE, 1229 MAKATI CITY **ON OR BEFORE 03 March 2016.**

By Order of the Board of Directors.

  
**ALEZANDRO S. CASABAR**  
Assistant Corporate Secretary

10 February 2016.

**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 20 - IS**

**INFORMATION STATEMENT PURSUANT TO SECTION 20  
OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box:

Preliminary Information Statement  
 Definitive Information Statement

2. Name of Registrant as specified in its charter : **ROXAS AND COMPANY, INC.  
(formerly CADP GROUP CORPORATION)**
3. Province, country or other jurisdiction of incorporation or organization : Philippines
4. SEC Identification Number : 834
5. BIR Tax Identification Code : 000-269-435
6. Address of Principal Office : 7/F CG Building, 101 Aguirre St.  
Legaspi Village, Makati City 1229
7. Registrant's telephone number including area code: (632) 810-8901
8. Date, time and place of meeting of security holders: 09 March 2016 at 10:00 a.m.  
Turf Room, Manila Polo Club  
McKinley Road  
Makati City 1200
9. Approximate date on which the Information Statement is first to be sent or given to security holders : 16 February 2016
10. Securities registered pursuant to Sections 8 and 12 of the Code as of 31 December 2015:

Title of Each Class	Number of Shares of Stock Outstanding And Amount of Debt Outstanding
Common	1,973,674,632
Debt	None registered

11. Are any or all of the Registrant's securities listed on a Stock Exchange?

Yes  No

If so, disclose name of the Exchange : Philippine Stock Exchange

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

**INFORMATION STATEMENT**  
**GENERAL INFORMATION**

**WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.**

**DATE, TIME AND PLACE OF MEETING OF SECURITY HOLDERS**

Date	:	09 March 2016
Time	:	10:00 a.m.
Place	:	Turf Room, Manila Polo Club McKinley Road Makati City 1200
Address of Principal Office of the Registrant	:	7/F CG Building, 101 Aguirre St. Legaspi Village, Makati City 1229, M.M.
Approximate date on which the Information Statement is first to be sent or given to security holders	:	16 February 2016

**DISSENTER'S RIGHT OF APPRAISAL**

A dissenting stockholder shall have the right of appraisal in the instances authorized under Section 81 of the Corporation Code, to be exercised in accordance with the procedure set out in Section 82 of the same Code. There are no matters in the agenda of the meeting which would give rise to the exercise of the right of appraisal.

**INTEREST OF CERTAIN PERSONS IN OR OPPOSITION TO MATTERS TO BE ACTED UPON**

The incumbent directors or officers of the Company, since the beginning of the last fiscal year, do not have substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon other than election to office.

None of the incumbent directors informed the Company in writing that he intends to oppose any action to be taken during the annual meeting of shareholders.

**CONTROL AND COMPENSATION INFORMATION**

**VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF**

- a) The number of shares outstanding and entitled to vote in the stockholders' meeting is 1,973,674,632 common shares.
- b) The record date for the purpose of determining the stockholders entitled to vote is 15 January 2016.

- c) Holders of common shares are entitled to cumulative voting in the election of directors. Section 24 of the Corporation Code provides that every stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares of stock standing, at the time fixed in the by-laws, in his own name in the stock books of the corporation, or where the by-laws are silent, at the time of the election; and said stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit.

For all other matters to be acted upon, each share is entitled to one (1) vote.

- d) Security ownership of certain record and beneficial owners and management.

(1) Security ownership of certain record and beneficial owners of more than 5% of the Company's securities, both listed and not listed, as of 31 December 2015:

<i>Title of Class</i>	<i>Name and Address of Owner/Relationship with Issuer</i>	<i>Name of Beneficial Ownership and Relationship with Record Owner</i>	<i>Citizenship</i>	<i>Number and Nature of Ownership</i>	<i>Percent of Class<sup>1</sup></i>
Common	SPCI Holdings, Inc. Unit 1701, The Peak Tower 107 Leviste St., Salcedo Village, Makati City	SPCI Holdings, Inc. <sup>2</sup>	Philippine National	642,779,593 (direct)	32.56%
Common	Pedro E. Roxas 7/F CG Bldg., 101 Aguirre St., Legaspi Village, Makati City Executive Chairman President & CEO	Pedro E. Roxas/ Pesan Holdings, Inc.	Filipino/ Philippine National	533,862,795 (direct & indirect)	27.05%
Common	PCD Nominee Corporation	PCD Nominee Corporation	Non-Filipino	193,127,059	9.8%
Common	CISCO Holdings, Inc. Unit 1701, The Peak	Francisco R. Elizalde	Philippine National	112,500,000	5.70%

<sup>1</sup> The percentages of shareholding were arrived at by dividing the number of shares owned, directly and indirectly, by the shareholders over 1,973,674,632 common shares, the total outstanding shares as of 31 December 2015.

<sup>2</sup> Messrs. Francisco Jose R. Elizalde and Carlos R. Elizalde, directors of the Company, each owns 24.99% of the total outstanding shares of SPCI Holdings, Inc. (SPCI). Collectively, the Board of Directors of SPCI consisting of its 6 shareholders has the power to decide on how the shareholdings of SPCI in the Company shall be voted.

	Tower 107 Levite St., Salcedo Village, Makati City				
Common	CRE Holdings, Inc. Unit 1701, The Peak Tower 107 Levite St., Salcedo Village, Makati City	Carlos R. Elizalde	Philippine National	112,500,000	5.70%
Common	IÑIGO Holdings, Inc. Unit 1701, The Peak Tower 107 Levite St., Salcedo Village, Makati City	Iñigo R. Elizalde	Philippine National	112,500,000	5.70%
Common	SRE Holdings, Inc. Unit 1701, The Peak Tower 107 Levite St., Salcedo Village, Makati City	Santiago R. Elizalde	Philippine National	112,500,000	5.70%
<b>TOTAL</b>				<b>1,817,759,030</b>	<b>92.10%</b>

Except as stated above and in the related footnotes, the Board of Directors and the Management of the Company have no knowledge of any person who, as of 31 December 2015, was directly or indirectly the beneficial owner of, or who has voting power or investment power with respect to, shares comprising more than five percent (5%) of the Company's outstanding common stock.

(2) Security Ownership of Management as of 31 December 2015.

The following table sets forth the number of shares, listed and not listed, owned of record and/or beneficially owned by the directors, independent directors, the Chief Executive Officer and the key officers of the Company, and the percentage of shareholdings of each as of 31 December 2015:

<i>Title of Class</i>	<i>Name of Beneficial Owner</i>	<i>Citizenship</i>	<i>Number and Nature Of Ownership</i>	<i>Percent of Class</i>
<i>Common</i>	<i>Pedro E. Roxas Executive Chairman President / CEO</i>	<i>Filipino</i>	<i>533,862,795 (direct &amp; indirect)</i>	<i>27.05%</i>
<i>Common</i>	<i>Antonio J. Roxas Director</i>	<i>Filipino</i>	<i>50,000,000 (direct)</i>	<i>2.53%</i>
<i>Common</i>	<i>Carlos Antonio R. Elizalde<sup>3</sup></i>	<i>Filipino</i>	<i>113,720,858</i>	<i>5.76%</i>

<sup>3</sup> Messrs. Carlos R. Elizalde and Francisco Jose R. Elizalde each owns 24.99% of the total outstanding shares of SPCI Holdings, Inc. (SPCI). SPCI, in turn, owns 642,779,593 or 32.56% of the Company's shares.

	<i>Director</i>		<i>(direct &amp; indirect)</i>	
<i>Common</i>	<i>Francisco Jose R. Elizalde<sup>4</sup> Director</i>	<i>Filipino</i>	<i>113,733,672 (direct &amp; indirect)</i>	<i>5.76%</i>
<i>Common</i>	<i>Corazon S. Dela Paz- Bernardo Independent Director</i>	<i>Filipino</i>	<i>21,242 (direct)</i>	<i>0.00%</i>
<i>Common</i>	<i>Guillermo D. Luchangco Independent Director</i>	<i>Filipino</i>	<i>11,121 (direct)</i>	<i>0.00%</i>
<i>Common</i>	<i>Renato C. Valencia Director</i>	<i>Filipino</i>	<i>1,000 (direct)</i>	<i>0.00%</i>
<i>Common</i>	<i>Fernando L. Gaspar</i>	<i>Filipino</i>	<i>11,417</i>	<i>0.00%</i>
<i>Common</i>	<i>Armando B. Escobar Vice-President / Chief Finance and Risk Management Officer/Treasurer</i>	<i>Filipino</i>	<i>0</i>	<i>0.00%</i>
<i>Common</i>	<i>Peter D. A. Barot Corporate Secretary</i>	<i>Filipino</i>	<i>0</i>	<i>0.00%</i>
<i>Common</i>	<i>Alezandro S. Casabar Asst. Corp. Secretary</i>	<i>Filipino</i>	<i>0</i>	<i>0.00%</i>
<i>Common</i>	<i>Directors and Officers As a Group</i>		<i>811,362,105</i>	<i>41.10%</i>

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

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

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<sup>4</sup> See footnote no. 3.



e) Change in Control

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

**DIRECTORS AND EXECUTIVE OFFICERS**

a) Nominees for election to the Board

The following have been nominated for election to the Board of Directors:

Pedro E. Roxas  
Antonio J. Roxas  
Carlos R. Elizalde  
Francisco Jose R. Elizalde  
Fernando L. Gaspar  
Corazon S. De la Paz-Bernardo (Independent Director)  
Guillermo D. Luchangco (Independent Director)

All the nominees are incumbent members of the Board of Directors of the Company.

Of the nominees, Ms. Corazon S. De la Paz-Bernardo and Mr. Guillermo D. Luchangco are eligible for election as independent directors of the Company in accordance with Rule 38.1 of the Implementing Rules and Regulations of the revised Securities Regulation Code. In general, they are not officers or employees of the Company or any of its subsidiaries, and are free from any business or relationships with the Company or any of its subsidiaries which could, or could reasonably be perceived to, materially interfere with the exercise of their independent judgment in carrying out their responsibilities as independent directors. Each of them has submitted a Certificate of Qualification as an Independent Director to the Securities and Exchange Commission.

Ms. Ellen Comia, a longtime shareholder of the Company, nominated Mr. Luchangco as independent director. On the other hand, Mr. Pedro Roxas nominated Ms. Corazon S. De la Paz-Bernardo. To the knowledge of the Company, Ms. Ellen Comia and Mr. Pedro Roxas are not related to their nominees.

b) The following is the procedure for nomination and election of directors:

Article II of the Amended By-Laws of the Company provides:

“Section 2. Qualifications and Disqualifications of Directors. – Any stockholder having at least one thousand (1,000) shares registered in his or her name may be nominated and/or elected as a Director of the Corporation; Provided that any stockholder who possesses any of the disqualifications enumerated in the Manual on Corporate Governance which was approved and adopted by the Board of Directors of the Corporation on 26 September 2002, including any amendments thereto, shall be disqualified from being elected as a Director of the Corporation.

Section 3. Nominations for Directors. – In addition to the right of the Board of Directors of the Corporation to make nominations for the election of Directors, nominations for the election of Directors

may be made by any shareholder entitled to vote for the election of Directors if that shareholder complies with all the provisions of this article.

- 3.1 Nominations shall be received by the Chairman of the Board (which nominations may be sent to such Chairman in care of the Secretary of the Corporation), at least 15 working days prior to any meeting of the shareholders called for the election of Directors.
- 3.2 Each nomination under Section 3.1, shall set forth (i) the name, age, business address and, if known, residence address of each nominee, (ii) the principal occupation or employment of each nominee, (iii) the number of shares of stock of the corporation which are beneficially owned by such nominee, and (iv) the interests and positions held by each nominee in other corporations. In addition, the shareholder making such nomination shall promptly provide any other information reasonably requested by the corporation.
- 3.3 The Board, by a majority vote unless a greater majority is required under these By-Laws, may, in its discretion, determine and declare that a nomination was not made in accordance with the foregoing procedures, and/or that a nominee is disqualified for election as Director under these By-Laws and if the Board should so determine, the defective nomination and the nomination of a disqualified person shall be disregarded.”

On the other hand, the Revised Manual on Corporate Governance of the Company provides:

“3.7. Board Committees

The Board shall maintain the following committees to assist it in good corporate governance:

x x x

3.7.2. Nomination, Election and Governance Committee.

The Nomination, Election and Governance Committee shall be composed of at least three (3) voting Directors, one of whom must be an independent director. The committee shall have the following functions:

- 3.7.2.1. It shall review and evaluate the qualifications of, and shortlist, all persons nominated to the Board and other appointments that require Board approval.
- 3.7.2.2. It shall assess the effectiveness of the Board’s processes and procedures in the election or replacement of directors.
- 3.7.2.3. It shall consider the following guidelines in the determination of the capability of a director to serve as such:

- i. The nature of the business of the corporation of which he is a director;
- ii. Age of the director;
- iii. Number of directorships/active memberships and offices in other corporations or organizations; and
- iv. Possible conflict of interest.

Any optimum number of directorships shall be related to the capacity of a director to perform his duties diligently in general.

The CEO and other executive directors shall submit themselves to a low indicative limit on membership in other corporate boards. The same low limit shall apply to independent, non-executive directors who serve as full-time executives in other corporations. In any case, the capacity of directors to serve diligently shall not be compromised.

xxx

3.7.2.9 The findings and recommendations of the Nomination Committee shall be submitted to the Board for approval; Provided that a director whose qualifications are in issue shall not have the right to vote when the Board considers his case.

The seven (7) nominees for election to the Board of Directors of the Company have been screened and evaluated by the Nomination, Election and Governance Committee and were determined to possess all the qualifications and none of the disqualifications of a director of the Company in accordance with applicable laws, rules, regulations, the Company's By-Laws and Revised Manual on Corporate Governance.

c) Board of Directors and Corporate Officers

**Pedro E. Roxas** is 59 years old and is a Filipino. Mr. Roxas is the Chairman of the Nomination, Election and Governance Committee and is a member of the Compensation Committee. He has been a Director of the Company since 18 October 1995. He is currently the Executive Chairman of the Board and the President and Chief Executive Officer of the Company. He is the Chairman of Roxas Holdings, Inc. and other subsidiaries of RHI, Hawaiian-Philippine Company, Club Punta Fuego and Roxaco Land Corporation. He is a Director of Brightnote Assets Corporation, PLDT, Meralco and BDO Private Bank. Mr. Roxas is the President of Philippine Sugar Millers Association, Inc., Fundacion Santiago and Roxas Foundation and he is a Trustee of the Philippine Business for Social Progress. Mr. Roxas was educated at Portsmouth Abbey School, USA and at the University of Notre Dame, USA where he obtained his degree in Business Administration. Mr. Roxas is married to Regina Tambunting and they have three (3) children.

**Antonio J. Roxas** is 73 years old and is a Filipino. Mr. Roxas is a member of the Nomination, Election and Governance Committee. He has been a Director of the Company since 18 October 1995. Mr. Antonio J. Roxas is also the Chairman Emeritus of Roxas Holdings, Inc., and a director of Central Azucarera Don Pedro, Inc. Mr. Roxas was educated at the University of Notre Dame in Indiana, USA where he obtained his diploma in Bachelor of Science in Commerce and was trained at the Standard

Chartered Bank of London, the Shell Company in Paris and the Olavarria & Co. and Lowry & Co., Inc. of New York, USA.

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

**Carlos R. Elizalde** is 47 years old and is a Filipino. He has been a member of the Board of Directors since 20 November 2002. Mr. Elizalde is the President of ELRO Commercial and Industrial Corp. and ELRO Land Corp., Vice-President of ELRO Trading Corp. and Bais Multifarms, Inc. He is director of SPCI Holdings, Inc., Central Azucarera de la Carlota, Inc., Association Agricola de Bais y Tanjay and BATAMA Marketing Cooperative. Mr. Elizalde was educated at the College of Vermont in Burlington Vermont, USA with a degree in Bachelor of Science in Agricultural Economics.

**Francisco Jose R. Elizalde** is 49 years old and is a Filipino. He was elected as member of the Board of Directors on 25 June 2009. Mr. Elizalde is the Managing Director of ELRO Corporation and Vice President of its Consumer Goods Business Unit. He is a Director in SPCI Holdings, Inc., ELRO Trading Corporation, ELRO Land, Inc., Bais Multi Farms, Inc., Twenty Four Hours Vendo Machine Corporation, Roxaco Land Corporation, Club Punta Fuego, Inc., and Mutual Fund Management Company of the Philippines, Inc. Mr. Elizalde was educated at Portsmouth Abbey School, USA and at the University of Vermont, USA where he obtained a degree in Bachelor of Science.

**Guillermo D. Luchangco** is 75 years old and is a Filipino. Mr. Luchangco is the Chairman of the Compensation Committee of RCI. He is the Chairman and Chief Executive Officer of the ICCP Group of Companies which includes: Investment & Capital Corporation of the Philippines, Pueblo de Oro Development Corporation, Regatta Properties, Inc., ICCP Venture Partners, Inc., Cebu Light Industrial Park, Inc., RFM-Science Park of the Philippines, Inc., and ICCP Land Management, Inc.; Chairman and President of Beacon Property Ventures, Inc.; Chairman of Manila Exposition Complex, Inc. He is a Director of Globe Telecom, Inc., Phinma Corp., Phinma Property Holdings Corp., Ionics, Inc., Ionics EMS, Inc., Ionics EMS, Ltd., Ionics Properties, Inc., Remec Broadband Wireless, Inc. and Science Park of the Philippines, Inc. Mr. Luchangco is an independent director of the Company and he possesses

all the qualifications and none of the disqualifications of an independent director since he was first nominated and elected to the Board of Directors on 18 November 2009.

**Renato C. Valencia** is 73 years old and is a Filipino. He was elected as a member of the Board of Directors on 07 October 2010. A former Director of RCI prior to its merger with CADP Group Corporation, he is presently the President & CEO of Roxas Holdings, Inc., Director of Metropolitan Bank & Trust Company, Member of the Phil. Coca-Cola System Council, Chairman of i-People, Inc., Director of Anglo-Philippine Holdings Corporation, Board Adviser of Philippine Veterans Bank, Chairman of Hypercash Payment Systems, Inc., Chairman of Bastion Payment Systems, Inc. and Vice-Chairman of Asia Pacific Network Holdings, Inc. He resigned from the Board in November 2015. Due to this, the Board filled the vacancy by electing Mr. Fernando L. Gaspar as Director and Member of the Audit & Risk Committee.

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

#### Corporate Officers

**Armando B. Escobar** is 55 years old and is a Filipino. He is the Vice President - Chief Finance Officer, Treasurer & Risk Management Officer of the company. He was formerly the Group President and Chief Operating Officer of Moldex Group of Companies and Vitarich Corporation. He was formerly Senior Vice President and Chief Operating & Special Accounts Management Group Head of Philippine Bank of Communications, Director of Bancnet, Inc. Mr. Escobar obtained his Bachelor of Science in Business Management in Ateneo de Manila University, MBA units in University of the Philippines, Executive Business Program in Harvard Business School and Post-Graduate course in Strategic Business Economics Program in University of Asia and Pacific.

**Peter D. A. Barot** is 53 years old and is a Filipino. He is the Corporate Secretary of the Company. He obtained his Bachelor of Arts (Economics) and Bachelor of Laws from the University of the Philippines, and his Master of Laws from the University of Chicago. He is a Partner at the Picazo Buyco Tan Fider & Santos Law Offices.

**Alejandro S. Casabar** is 35 years old and is a Filipino. He is the Assistant Corporate Secretary and Compliance Officer of the Company. He is also the Legal, HR & Administrative Services Manager of the Company and Roxaco Land Corporation, the real property arm of the Company. He obtained his Bachelor of Laws degree from San Beda College and his Bachelor of Arts degree from the University of the Philippines – College Baguio.

#### d) Significant Employees

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

#### e) Family Relationships

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

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

f) Legal Proceedings

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

- (a) any bankruptcy petition filed by or against any business of which a director/independent director, officer or person nominated for election as director/independent director was a general partner or executive officer either at the time of bankruptcy or within two years prior to that time;
- (b) any conviction by final judgment in a criminal proceeding, domestic or foreign;
- (c) any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any director/independent director, officer or persons nominated for election as director/independent director in any type of business, securities, commodities or banking activities; and
- (d) any final finding by a domestic or foreign court, the Securities and Exchange Commission or comparable foreign body, or any quasi-judicial or regulatory body, that any director / independent director, officer or any person nominated for election as director / independent director, has violated a securities or commodities law or regulation.

g) Certain Relationships and Related Transactions

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

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

Mr. Pedro E. Roxas, incumbent director of the Company, is also a director of RHI. As of 30 September 2015, the Company owns 30% of the total issued and outstanding capital of RHI.

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

h) Parent Company

As of 30 September 2015, the Company directly owns 30% of the total issued and outstanding shares of Roxas Holdings, Inc. (RHI), and 100% of the issued and outstanding shares of Roxaco Land Corporation (Roxaco), Nasugbu Feeds Corporation and United Ventures Corporation.

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

Roxaco owns 100% of the total and outstanding shares of Roxaco Commercial Properties Corporation. It has interests in Fuego Development Corporation (30%), Fuego Land Corporation (30%), Roxaco-Vanguard Hotels Corporation (49%), Roxaco-ACM Development Corporation (50%), Club Punta Fuego, Inc. (26.36%), Fuego Hotels Properties and Management Corporation (75.33%) and Brightnote Assets Corporation (10%).

i) Disagreement with the Company

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

## **COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS**

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

b) Compensation of Executive Officers

Name and Principal Position		Year	Salary	Bonus	Other Annual Compensation*
		2012-2013			
A	Pedro E. Roxas – Executive Chairman, President and CEO		₱ -	₱ -	₱95,000
B	Armando B. Escobar – VP, CFO and Risk Management Officer, Treasurer		-	-	-
C	Fritzie P. Tangkia-Fabricante – AVP for Legal Affairs / Compliance Officer <sup>5</sup>		-	-	-
D	CEO and Top Four Executives		3,772,947	-	695,000
E	All officers & directors as group unnamed		₱3,772,947	₱ -	₱790,000
		2013-2014			
A	Pedro E. Roxas – Executive Chairman, President and CEO		₱ -	₱ -	₱150,000
B	Armando B. Escobar – VP, CFO and Risk Management Officer, Treasurer		-	-	-
C	Alezandro S. Casabar – Legal Manager / Compliance Officer		-	-	-
D	CEO and Top Four Executives		1,526,880	-	679,730
E	All officers & directors as group unnamed		₱1,526,880	₱ -	₱829,730
		2014-2015			
A	Pedro E. Roxas – Executive Chairman, President and CEO		₱ -	₱ -	₱250,000
B	Armando B. Escobar – VP, CFO and Risk Management Officer, Treasurer		-	-	-
C	Alezandro S. Casabar – Legal Manager / Compliance Officer		-	-	-
D	CEO and Top Four Executives		780,000	6,016,146	
E	All officers & directors as group unnamed		₱780,000	₱6,016,146	₱1,750,000

\*Director's fees.

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

c) Estimated Compensation and Bonus for FY 2015-2016

<sup>5</sup> Atty. Fritzie Fabricante resigned effective February 6, 2012.



The estimated compensation and bonus of the directors and present officers of the Company for fiscal year 2015-2016 are as follows:

	Salary	Bonus	Other Annual Compensation
A Pedro E. Roxas – Executive Chairman, President & CEO	₱ -	₱ -	
B Armando B. Escobar – VP, CFO and Risk Management Officer, Treasurer	-	-	-
C Alejandro S. Casabar – Legal Services Manager / Compliance Officer	-	-	-
CEO AND top 4 executives	8,944,195	-	
All Officers and directors as group	₱ 8,944,195	₱ 3,826,477	₱1,750,000

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

#### ELECTION OF EXTERNAL AUDITORS

Reyes, Tacandong & Co. is recommended for election as external auditor for the fiscal year 2015-2016. Representatives of the firm are expected to be present at the annual meeting of stockholders on 09 March 2016 and they will have the opportunity to make a statement, if they so desire, and are expected to be available to respond to appropriate questions.

Mr. Protacio T. Tacandong, the Firm's co-founder, is the lead partner assigned to handle the account of the Company since fiscal year 2012-2013. He was a senior partner at SGV and was chief finance and administrative officer and head of SGV branches.

Ms. Haydee M. Reyes-Arcenas is a partner in the Assurance and Advisory Services of the firm. She has over 20 years' experience of audit practice serving multinational and national clients in various industries with specialization in media and broadcasting, power generation, manufacturing and semiconductor industries.

Under Rule 68(3)(b)(iv) of the IRR of the revised SRC and SEC Memorandum Circular No. 2, series of 2002, the external auditors of the Company should be rotated every five (5) years or earlier or the handling partner shall be changed.

#### External Audit Fees and Services

The aggregate fees billed for each of the last two (2) fiscal years for professional services rendered by the external auditor are as follows:

	<u>2013-2014</u>	<u>2014-2015</u>
1. Audit of registrant's annual financial statements:	₱ 850,000	₱ 700,000

2. Aggregate fees billed for professional services for tax accounting, compliance and other tax services	none	none
3. All other fees	none	none

### Policies and Procedures

The Company's Audit and Risk Committee (ARC) meets with the external auditors at the beginning of every fiscal year to discuss the Company's audit plans and programs for the year. After the audit plans and programs are approved, the ARC then determines the reasonableness of the fees proposed by the external auditors for audit and other related services. The ARC also meets to approve the quarterly financial statements of the Company before they are presented to the Board for approval and thereafter submitted to the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE) as part of the Company's compliance with the requirements of SEC Memorandum Circular No. 6, Series of 2009 and the Company's revised Manual on Corporate Governance. The ARC also meets with the external auditors to consider and approve the yearly audited financial statements of the Company before they are submitted for the consideration and approval of the Board of Directors and, thereafter, submitted to the Bureau of Internal Revenue, the SEC and the PSE as part of the Company's compliance with the requirements of the Revised Securities Regulation Code.

Additionally, the ARC is also tasked under its Charter to (a) review the internal audit plan to ensure conformity with the objectives of the Company; (b) organize an internal audit department and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal; (c) review the reports of the internal auditors; and (d) establish and identify the reporting line of the internal auditor to enable him to properly perform his duties and responsibilities.

There had been no disagreements with the external auditors on accounting or financial disclosures during the last five (5) fiscal years.

## **PART I – FINANCIAL AND OTHER INFORMATION**

### **Financial Statements and Other Information**

The Financial Statements and Other Financial Disclosures are contained in the Consolidated Financial Statements and are found in **Annex "A"** hereof while Financial Schedules as **Annex "B"** and Management's Discussion and Analysis or Plan of Operations are found in **Annex "C"**.

### **Description of the General Nature and Business of the Company**

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

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

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

RHI owns and operates one of the largest sugar milling and refining operations in the Philippines, the complementary locations of which enable RHI to serve its customers throughout the country. It also has a bioethanol business and is one of the few which serves the demands of the local alcohol and oil companies for bioethanol products through Roxol Bioenergy Corporation (Roxol).

RHI's Batangas-based subsidiary, Central Azucarera Don Pedro, Inc. (CADPI), provides the refined sugar requirements of traders and industrial customers such as multinational food and beverage and pharmaceutical companies in Luzon.

On the other hand, RHI's Negros Occidental-based subsidiary, Central Azucarera de la Carlota, Inc. (CACI), supplies the raw sugar requirements of traders who deal with local and export consumers.

On November 29, 2013, RCI sold its 31% equity ownership in RHI to First Pacific Company, Ltd. (First Pacific), Hong Kong-based Company. RCI remains the major shareholder at 35% of RHI while First Pacific has 34% equity ownership as it acquired additional shares of stock of RHI from other stockholders. Subsequent to the sale, RHI became an associate of the Company.

### **Business Units and Operations**

The Company directly owns 100% of Roxaco Land Corporation (Roxaco), the real estate company of the Roxas Group, and holds a 35% equity investment in RHI, under which are the various sugar-operating companies.

#### Sugar-Related Businesses

Roxas Holdings, Inc.'s wholly-owned sugar manufacturing subsidiaries are Central Azucarera Don Pedro, Inc. (CADPI) and Central Azucarera de la Carlota, Inc. (CACI). RHI also has a 45% equity investment in Hawaiian Philippine Company (HPCo.), a sugar mill in Silay, Negros Occidental [referred to as the "Sugar Group"].

In addition, RHI manages CADP Farm Services, Inc. (CFSI), a firm that provides modern farming technology and services, as well as nursery facilities to CADPI and CACI planters.

RHI's other subsidiaries are CADP Consultancy Services, Inc., CADP Insurance Agency, Inc., Najalin Agri-Ventures, Inc. (NAVI), Jade Orient Management Services, Inc. (JOMSI), Roxas Power Corporation (RPC) and CADP Port Services, Inc. (CPSI).

## Real Estate

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

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

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

FHMPMC is a management company with expertise in managing hotels, resorts and full and limited service companies. Roxaco has a 75.33% equity interest in FHMPMC.

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

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

On 02 December 2009, Roxaco entered into a Joint Venture Agreement with VJ Properties, Inc. for the development of a 57,972 square-meter property in Tagaytay City into a boutique resort-type of residential subdivision known as Anya Resort and Residences (Tagaytay). Roxaco has a 65% share in the net proceeds from the sale of 14 pre-selected lots, and a 60% share in the net proceeds from the sale of the remaining 40 lots.

In July 2012, Roxaco launched its townhomes project, known as Landing Townhomes, in Nasugbu, Batangas. Landing Townhomes is a project consisting of 114 units of saleable house and lots, 20 commercial units for sale, and 11 other commercial units for lease.

In December 2013, Roxaco entered a joint venture with Vanguard Hotels Group to explore the "Budget Hotel" industry in the Philippines. The joint venture is designed for both parties to put up and operate a minimum of five budget hotels in the country.

## **Principal Products and Services**

### Sugar-related business

The Group produces raw and refined sugar in different grades. Its premium refined sugar is preferred by big industrial users including food and beverage and pharmaceutical companies for blending in their own products. The Group also provides customized sugar solutions to cater to the unique specifications of its customers, including packaging, delivery and receiving solutions.

## Tolling/Refining

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

## Bioethanol

The Group, through Roxol Bioenergy Corporation (Roxol) and San Carlos Bioenergy, Inc. (SCBI) produces fuel ethanol to meet the needs of local oil companies which under the Biofuels Act of 2006 are mandated to blend ten percent (10%) ethanol in their gasoline.

Roxol is also designed to produce potable and industrial alcohol to cater to the demands of the alcoholic beverage and personal care markets.

## Power

In response to the increasing demand of power supply, the company embarked into the power generation sector by entering into co-generation project with Global Business Power Company (GBP), a member of the Metrobank Group. The power that will be generated from the co-generation project will be sold initially to the local grid.

## Business

### a. Description of the company

The company owns and operates one of the largest sugar milling and refining operations in the Philippines, whose complementary locations enable it to serve customers throughout the country. It also has a bio-ethanol business and is one of the few which serves the demands of the local alcohol and oil companies for bio-ethanol products.

With eight and a half decades of presence, the company has become the trusted leader in the sugar industry. This leadership extends to its bio-energy venture and this puts Roxol among the country's promising players in the field of bio-ethanol production.

i) Principal products, markets, relative contribution to sales and revenues of Central Azucarera Don Pedro, Inc., Central Azucarera de La Carlota, Inc., Roxol Bioenergy Corporation, and San Carlos Bioenergy, Inc.:

CADPI		CACI		RBC		RBC	
Raw Sugar	13%	Raw Sugar	66%	Raw Sugar	3%	Sugar Syrup	5%
Refined Sugar	63%	Refined Sugar	4%	Refined Sugar	16%	Power	1%
Molasses	11%	Molasses	30%	Anhydrous Alcohol	81%	Anhydrous Alcohol	94%
Tolling	13%						

## Real Estate

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

Its joint venture projects include:

- (i) Peninsula De Punta Fuego, an 88-hectare world-class residential beach resort located in Nasugbu, Batangas developed in partnership with Landco Pacific Corporation (Landco). The Punta Fuego community consists of Spanish-Mediterranean inspired villas, a Beach Club, a Marina, a nine-hole golf course and a Country Club;
- (ii) Terrazas De Punta Fuego, a 61-hectare prime seafront property, also located in Nasugbu, Batangas, and developed by Fuego Land Corporation (FLC), a 70%-30% joint venture company of Landco and Roxaco. This property is also home to Amara en Terrazas, a seaside condominium project;
- (iii) Club Punta Fuego, an exclusive resort developed by FDC. Facilities include The Country Club, Upper Beach Club, Lower Beach Club, a Nelson-Haworth designed nine-hole golf course, twelve white sand beaches, casitas, a Marina, The Spa, The Boardwalk, Game Hall and KTC, Café Sol, double infinity pools and the Sunset Beach Cove. An associate membership to Club Punta Fuego is attached to every lot in Peninsula and Terrazas de Punta Fuego;
- (iv) Woodstock Homes, a 5-hectare mass housing project located in Nasugbu, Batangas. This was developed by Roxaco-ACM Development Corporation, an incorporated joint venture company between Roxaco and ACM Landholdings, Inc. A total of 386 housing units and 100 open lots comprise the development, all of which have been sold out;
- (v) Goodwood Homes, a low-density residential development with only 150 duplex units in a 2-hectare area located in Imus, Cavite. The project was developed in joint venture with ACM Landholdings, Inc.;
- (vi) The Orchards at Balayan, a 6-hectare property located in Balayan, Batangas. This is an open-lot residential subdivision developed by Roxaco in joint venture with Marilo Corporation; and
- (vii) Anya Resort and Residences, a 57,907 square meter-property located in Tagaytay City. This is a low density boutique resort-type of residential subdivision being developed by Roxaco in joint venture with landowner VJ Properties, Inc.

On its own, Roxaco developed the following projects:

- (i) Landing Subdivision, a residential open lot subdivision located in Nasugbu, Batangas. It has a total area of 23 hectares. All phases have been completed and sold out;
- (ii) Landing Commercial Building, a commercial facility with a total land area of 13,000 square meters consisting of 20 stalls. It is located along J.P. Laurel Street, Nasugbu, Batangas;
- (iii) Palm Estates Subdivision, a 23.6-hectare open-lot residential project consisting of three phases. Located in Nasugbu, Batangas, it offers a wide spectrum of lots designed to cater to families from all economic walks of life;
- (iv) Palm Homes, a 10-unit house and lot project in Palm Estates;

- (v) San Antonio Memorial Gardens, the first master-planned memorial park in Western Batangas; and
- (vi) Landing Townhomes, a 1.2-hectare property, is the first townhouse development in Nasugbu, Batangas. It consists of 114 two-storey residential units offered for sale, 20 commercial units for sale, and 11 other commercial units for rent.

## **Business Development**

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

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

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

## Sugar-Related Businesses

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

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

In a move to veer away from its product being a mere commodity, RHI has come up with measures to create an added value to its customers by customizing its products to fit the requirements of its industrial clients such as food and pharmaceutical companies.

In order to diversify its portfolio, RHI ventured into allied businesses including bioethanol. Roxol Bioenergy Corporation (ROXOL), the company set up for this purpose, has commenced the commissioning and testing of its plant in preparation for its eventual full commercial operation. Roxol's plant, located in Negros Occidental, is strategically designed to produce both bioethanol and potable or industrial alcohol. The company is looking to produce bioethanol to cater to the country's requirements for biofuel, and at the same time, supply the potable alcohol requirements of the beverage and industrial markets.

For the first time in five years, RHI, through CADPI, entered into the export market outside the US to address its oversupply of sugar generated from the crop year. As mandated by the Sugar Regulatory

Administration (SRA), RHI exported raw sugar to Japan and South Korea in August 2011. The surplus in sugar production came on the heels of the US announcement that it will not purchase more than its annual sugar export quota from the Philippines. A slowdown in demand from some local industrial users which shifted to high fructose corn syrup and premixes for blending in their own products also contributed to the oversupply.

### Real Estate

Since most of the real property development projects of Roxaco are already completed, it is looking into undertaking other projects for expansion and development.

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

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

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

### **Distribution Methods of the Products or Services**

#### Sugar Related Business

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

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

#### Real Estate

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

### **Competition**

#### Sugar-Related Businesses

CADPI and CACI supply sugar to entities engaged in pharmaceutical, food and beverage businesses, among others. Both are top raw sugar producers in the industry and have the most modern sugar equipment/facilities in the country. Entities engaged in the same line of business are Batangas Sugar Central in Batangas and Victorias Milling Co., Binalbagan-Isabela Sugar Company, Hawaiian-Philippine Company and Lopez Sugar in Negros. The main competitors of CADPI’s refined sugar production are



Victorias Milling Co. and Lopez Sugar in Negros Island, and Central Azucarera de Tarlac in the Northern-most market segment. The raw sugar market segment covers both the households and SMEs and supplies by the many sugar mills in the country through wholesalers and retailers, including the wet markets.

Roxol and SCBI supply bioethanol fuel to oil companies. Roxol and SCBI are among the few bioethanol fuel producers along with San Carlos Bioenergy, Inc., Green Futures Innovations, Inc. and Leyte Agri Corp. Several other companies are expected to start up their bioethanol facilities within the year.

### Real Estate

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

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

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

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

### **Sources and Availability of Raw Materials and Names of Principal Suppliers**

#### Sugar-Related Businesses

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

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

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

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

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

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

#### Real Estate

Roxaco secured the services of Triple A contractors like J.C. Rodriguez Construction Corporation and Arlkaye Builders for its major real estate developments.

## Transactions with and/or Dependence on Related Parties

### Sugar-Related Businesses

The Sugar Group is not dependent on one or few customers or related parties in the distribution/sale of its products. It supplies sugar to various users and traders. Demands from these customers are evenly distributed.

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

### Real Estate

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

## Patents, Trademarks and Copyrights

The Company has no existing patents, trademarks, copyrights, licenses, franchises, concessions and royalty agreements.

However, the Sugar Group, particularly RHI, CADPI, CACI, Roxol and SCBI have the following registered trademarks:

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

On the other hand, the Company's real property arm, Roxaco, has registered a trademark for its project "Anya Resort and Residences".

## Need for Government Approvals of Principal Products or Services

### Sugar-Related Businesses

The sugar business in the Philippines is regulated by policies and rules and regulations issued by the Sugar Regulatory Administration (SRA).

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

### Real Estate

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

### **Effect of Existing or Probable Governmental Regulations**

#### Sugar-Related Businesses

The sugar industry in the Philippines is governed by certain policies and rules and regulations issued by the government. These are:

##### *The U. S. Quota System*

The main goal of the U. S. sugar policy is to support and stabilize the incomes of its own sugar farmers who grow cane and beet sugar. One major policy instrument employed to achieve this end is the import quota.

From 1934 until the early 1980's, quota limitation governed Philippine sugar consumption. In 1946, the Philippine Trade Act fixed the sugar quota which could be exported to the U. S. This quota amounted to about 15% of total U.S. sugar consumption until 1974 when the quota was suspended. It was reinstated in 1982 and since then, the prices paid for sugar exported to the U.S. have always been higher than the price at which sugar could otherwise be exported.

##### *The SRA Quota or the Quedan Allocation System*

The major regulating influence in the Philippine sugar industry is SRA Sugar Order Number 1, Series of 1987, which deals, specifically, with the allocation of Philippine sugar. Specifically, the Order allocated the country's total domestic sugar into the following categories: "A" for export to the U.S., "B" for domestic sugar, and "C" for reserve sugar. Finally, there is category "D" for export to other foreign markets. The allocation is determined by the SRA Board at the beginning of every crop year and the same ultimately affects the total amount of raw sugar available for domestic refineries and for direct consumption.

##### *Value Added Tax System*

The present value added tax (VAT) system imposes a 12% VAT on refined sugar. The manufacturer of refined sugar is allowed a presumptive input VAT of 3% on raw sugar purchases in addition to the 12% input tax on the value of purchases of materials and supplies used in the manufacture of refined sugar. These are creditable against the 12% output VAT. The tax consequence does not adversely affect the company's business because the tax is passed on to the buyer or consumer.

#### *Executive Order No. 313*

As part of the Philippine's commitment as a member of the newly-formed World Trade Organization, Executive Order No. 313 issued on March, 1996 modified the tariff rates on certain imported agricultural products, including sugar.

Two rates of import duties are provided where a minimum Access Volume (MAV) of the particular agricultural product is allowed to be imported with a lower tariff rate. The In-Quota rate of duty is applied for importation within the MAV provided, while the schedule of the MAV, the In-Quota tariff and the Out-Quota tariff rates for imported raw cane sugar is provided for under E.O. 313.

#### *Executive Order No. 420*

Executive Order No. 420 modified the rates of duty on sugar as provided for under the Tariff and Customs Code of 1978, as amended, in order to implement the ASEAN preferential rates of duty on cane sugar and beet sugar, among others. Under the Order, the tariffs on the said products were placed at 65% from 1997 up to 1998 after which, sugar could be placed under the sensitive list which would allow the gradual phase down of tariffs. Additionally, it provides that the Margins of Preference (MOP) accorded under the ASEAN Preferential Trading Arrangements (PTA) will no longer be extended to any of the products covered under the same Order.

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

#### *Executive Order No. 431*

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

#### *Executive Order No. 268*

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

#### *Executive Order No 295*

Executive Order 295 issued on 3 March 2004 modified the nomenclature and rates of import duty on sugar (Heading 17.01) under Section 104 of the Tariff and Customs Code of 1978, as amended. Under the Executive Order, sugar which are entered and withdrawn from warehouses in the Philippines for consumption shall be levied the MFN (Most Favored Nation) rates of duty therein prescribed. Moreover, the Order provides that sugar which are entered and withdrawn from

warehouses in the Philippines for consumption shall be imposed the ASEAN CEPT rates of duty therein prescribed subject to qualification under the Rules of Origin as provided for in the Agreement on the CEPT Scheme for the ASEAN Free Trade Area signed on 28 January 1992.

On the other hand, the Bioethanol industry in the Philippines is principally governed by Republic Act No. 9367, otherwise known as the Biofuels Act of 2006, and the rules and regulations that are issued by the government through the Department of Energy (DOE) to implement the law.

#### *Republic Act No. 9367*

R.A. 9367 was enacted to direct the use of biofuels and to reduce the country's dependence on imported fuels with due regard to the protection of public health, the environment and natural ecosystems consistent with the country's sustainable economic growth that would expand opportunities for livelihood by mandating the use of biofuels as a measure to develop and utilize indigenous and sustainably-sourced clean energy sources to reduce dependence on imported oil; mitigate toxic and greenhouse gas (GHG) emissions; increase rural employment and income; and ensure the availability of alternative and renewable clean energy without detriment to the natural ecosystem, biodiversity and food reserves of the country.

The use of biofuels is mandated under Section 5 of R.A. 9367. It provides that all liquid fuels for motors and engines sold in the Philippines shall contain locally-sourced biofuels components. It further provides that within two (2) years from the effectivity of the law, at least five (5%) percent bioethanol shall comprise the annual total volume of gasoline fuel actually sold and distributed by each and every oil company in the country, subject to the requirement that all bioethanol blended gasoline shall contain a minimum of five (5%) percent bioethanol fuel by volume. Further, the law also directs that within four (4) years from its effectivity, the National Biofuels Board (NBB) which was created under it shall have the power to determine the feasibility and thereafter recommend to DOE to mandate a minimum ten (10%) percent blend of bioethanol by volume into all gasoline fuel distributed and sold by each and every oil company in the country.

#### *DOE Department Order No. DC 2007-05-006*

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

#### *Joint Administrative Order No. 2008-1, Series of 2008*

Joint Administrative Order (JAO) No. 2008-1, Series of 2008 was issued by the Department of Agriculture (DA), Department of Agrarian Reform (DAR), Department of Energy (DOE), Department of Environment and Natural Resources (DENR), Department of Finance (DOF), Department of Labor and Employment (DOLE), Department of Science and Technology (DOST), Department of Trade and Industry (DTI), Department of Transportation and Communications (DOTC), National Biofuels Board (NBB), National Commission on Indigenous Peoples (NCIP), Philippine Coconut Authority (PCA) and Sugar Regulatory Administration (SRA) on 8 October 2008. The JAO was issued to provide the guidelines governing the biofuel feedstock production and biofuels and biofuel blends production,

distribution and sale of biofuels. The objectives of the guidelines are to develop and utilize indigenous renewable and sustainably-sourced clean green energy sources to reduce dependence on imported oil, to mitigate toxic and greenhouse gas (GHG) emissions, to increase rural employment and income, to promote the development of the biofuel industry in the country and to encourage private sector participation and to institute mechanisms which will fast track investments in the biofuel industry and to promote biofuel workers' welfare and protection, among others.

### Real Estate

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

The Philippine Interpretation IFRIC 15, *Agreement for Construction of Real Estate*, provides that revenue from construction of real estate is recognizable only upon completion of the project, except when (a) such contract qualifies as construction contract which is to be accounted for under PAS 11, *Construction Contracts*, or (b) it involves rendition of services in which case revenue is recognized based on stage of completion. The Securities and Exchange Commission has deferred the application of IFRIC 15 to January 2015.

### **Research and Development**

CADPI contributes Php2.00 per Lkg. of sugar produced to the Philippine Sugar Research Institute Foundation, Inc. (PHILSURIN) in compliance with SRA Sugar Order No. 2, Series of 1995. During the last five (5) years, CADPI contributed about Php20 million to research and development and this amount constitutes 0.01% of its revenues.

Likewise, CACI contributes Php2.00 per Lkg. to PHILSURIN. During the last five (5) years, CACI contributed about Php24 million to research and development and this amount constitutes 0.14% of its revenues.

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

### **Costs and Effects of Compliance with Environmental Laws**

#### Sugar-Related Businesses

Waste minimization implementation in CADPI began in 1993 with the activation of an Interior Pollution Management Appraisal Team. A significant reduction in wastewater needing treatment was achieved through segregation, characterization and good housekeeping. As of today, the waste minimization program in CADPI is continuously observed and closely monitored through Risk Control Action Plan (RCAP). CADPI has been continuously compliant with all legal and regulatory requirements and ISO standards under ISO 14001:2004 otherwise as the Environmental Management System. CADPI was again re-certified for ISO 14001:2004 last January 28-29, 2015.

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

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

For the fiscal year ending 30 September 2015, CADPI spent about Php25.8 million in its pollution management program.

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

1. Pollution Control Facilities

- Waste Water Treatment Plant (7000CMD capacity)
  - Discharge Permit for WTP was secured from DENR EMB Region 4A for the whole Crop Year of 2014-2015 with validity date of up to January 26, 2015.
- Air Pollution Control Devices for the boilers smoke stack
  - Permit to Operate Air Pollution Control and Source Facilities was issued last May 15, 2015 by DENR-EMB Region 4A and valid up to February 29, 2016.
  - Based on Sugar Regulatory Administration quarterly stack sampling of Boilers #2, #3, #4 and #5, the analysis showed the results complied with Clean Air Act emission standard for Total Suspended Particulates (TSP).

2. Energy Efficiency/ Energy Conservation

- Replacing floodlight (400 watts) with LED (150 watts) in Truck Tard and Warehouse 3 & 5

3. Water Conservation Programs

- On-going implementation of water conservation program through Risk Control Action Plan monitoring.
- Installation of return treated wastewater pipeline to boilers facility to minimize the utilization of water from PALICO river.

3. Chemical Reduction Programs

- Reduction of 354,728.00 at waste treatment plant due to proper monitoring of waste water during milling season.

4. Chemical Substitution (Reduction or elimination of toxic or hazardous chemicals)

- Octapol is now used as substitute for analysis of some processed materials instead of



lead sub-acetate.

- Utilization of NIR for the analysis of pol in sugar, instead of manual analysis using lead sub-acetate.

5. Proper Handling and disposal of hazardous waste such as used oil, busted fluorescent lamp, and substance lead sub-acetate, and pathological waste through accredited treaters/transporters

- Disposed 1 ton of sub-lead acetate residue to the DENR accredited transporter and treater, JORM Trading Corp. picked up and transported the lead compound last December 23, 2014 with TR-4A-21-0013, treated last January 31, 2015 with TR-4A-21-0013, method of treatment is chemical and physical fixation and disposed last February 10, 2015, with Certification of treatment and disposal (Please see attached documents).
- Disposed 1,340 kgs. of Lead Acid Batteries to the DENR accredited transporter and treater. CADPI partnership to Oriental Motolite Marketing Corp. were Motolite picked-up all used batteries and the corresponding values of the used batteries will goes to the chosen charitable institution. Motolite has a valid transporter ID no. of TP-13-74-0012, treated by Evergreen Environmental Resources, Inc. last November 6, 2014 with valid ID no. GR-03-14-0023 ((Please see attached documents).
- Disposed 1.07 tons of busted fluorescent lamps to the DENR accredited transporter and treater, JORM Trading Corp. picked up and transported the lead compound last December 23, 2014 with TR-4A-21-0013, treated last January 31, 2015, method of treatment is crushing and encapsulated with TR-4A-21-0013 and disposed last February 10, 2015 with Certification of treatment and disposal (Please see attached documents).
- Disposed 242 of Pathological waste or hospital waste to the DENR accredited transporter and treater, Pyrotech Solution and Integrated Services Corp. picked up and transported the hospital waste last September 8, 2015 with TR-13-74-0029, treated by Cleanway Environmental Management Solutions, Inc. method of treatment is autoclaving with valid ID no. of 04-21-0015 and disposed at General Meridien Silang Cavite Disposal Facility with valid ID no. of 04-21-0015 (Please see attached documents).
- Disposal of used oil is due by CY 14-15, already awarded to ADCAN Petroleum Product INC. still waiting for the approved MOA, ADCAN will pay CADPI P3,100.00/drum for heavy oil and P2,000.00/drum for light oil, Adcan has a valid registration nos. TP-13-75-0063 and TP-13-75-0017 respectively as transporter and treater.
- Disposal of Electrical and Electronic Waste is due by CY 14-15, already prepared under RJR no. NSPR-03-008403 still waiting for the awarding. As of September 30, 2015, quantity of stored E-waste is 712.7 kgs.

6. Solid Waste Minimization

- Reduction of 18,156.76 tons of residual waste compared last year. Total factory solid waste for CY 13-14 – 98,546.76 tons compared this cy 14-15 total waste generated – 80,390 tons.

7. On-going utilization of mud press as soil conditioner for sugar cane fields and as produced organic fertilizer

- Ongoing engagement through a MOA with the following interested concessionaires in

organic fertilizer production using mudpress as main raw material:

- FEDMUCO
  - MDDFI
  - ELR Family Trading Co., Inc.
- FEDMUCO, community-based cooperative that is presently engaged in composting of mud press and converting it into organic fertilizer, pays the company a rental cost of PhP 5.00 per bag of sold organic fertilizer. At present, it produced 30,954 bags amounting to PhP 154,770.00 as of September 30, 2015.

8. Other Cleaner production technologies and Programs such as:

- On-going implementation of 5S which is incorporated with Good Manufacturing Practices (GMP) as one of the programs of ISO 14001 EMS.
- Quarterly meeting of CADPI Multi-Partite Monitoring Team (MMT) in compliance with the ECC condition. The MMT which is composed of sectoral and executive committees convene is being chaired by the PENRO. Membership of this multi-sectoral committee is represented by EMB PENRO and CENRO, MENRO, PGENRO, Philippine Coast Guard – Environmental Protection, Barangay, Municipal Health Office, NGOs and Barangay Chairman of Lumbangan. The Memorandum of Agreement was finalized and signed by DENR-EMB and Batangas Provincial Governor. Four meetings were conducted and the corresponding Compliance Monitoring and Verification Reports (CMVR) were already submitted to EMB Region 4A.
- Quarterly evaluation of compliance with ESH laws and regulations is being done using Matrix of Regulatory and Legal Requirements. This is part of compliance with ISO 14001. All necessary environmental and safety permits and licenses were already secured for this crop year 14-15.
- CADPI passed the ISO 14001 EMS re-certification audit by SGS last January 28-29, 2015. With 2 minor NC and 6 observations.
- CADPI is one of the members on the Nasugbu Beach Forest Management Council and the main goal is to rehabilitate the beaches at Nasugbu. CADPI consistently participating the monthly coastal clean-up as part of the programs of the Nasugbu Beach Forest Management Council.
- Attended the quarterly meeting on Adopt a Estero/River Program of DENR, and submitted the quarterly reports, also we have a quarterly river clean-up on the adopter river of CADPI which is Lian-Palico river.
- EMSD put up the plant nursery at WTP area, as of September 30, 2015 we have 1,689 various trees are ready to be planted, we donated 600 plants, Bitao and Talisay trees to be planted at Nasugbu beach as part of the project of Nasugbu Beach Forest Management Council, 100 trees donated to Philippine Army, 18 trees to barangay Lumbangan, we planted 462 various trees at CADPI premises and 117 trees were planted at Roxas Village on the adopted river of CADPI.
- Donations of used sacks to the Municipality of Nasugbu and Barangays.
- Participated in the 30<sup>th</sup> International Coastal Clean-Up at Lian-Palico river last September 19, 2015
- Participated in International Coastal Clean-Up at Nasugbu Batangas in cooperation with MENRO- Nasugbu last September 26, 2015.

- Received certificate of appreciation from Ocean Conservancy
- Participated in the street dancing 2015 parade, headed by Brgy. Lumbangan, Nasugbu with the theme “Sayaw ko sa Lumbangan, tulong sa Kalikasan”
  - Received certificate of participation from Brgy. Lumbangan

For the fiscal year ending 30 September 2015, CACI spent Php 32.39 million for the operational expenses in the operation, maintenance and improvement of its pollution control program. CACI’s environmental and pollution control initiatives during the fiscal year included the following:

A. Environmental Management

1. Participated in Mangrove Tree-Planting at the Municipality of Pontevedra, Negros Occidental.
2. Participated in Medical Mission in Brgy. Nagasi, La Carlota City, Negros Occidental.
3. Active participation in Adopt-an-Estero Program of DENR in Overflow, Brgy. RSB, La Carlota City, Negros Occidental.
4. Recognized as an Active Industrial Member of Sugar Industry Environmental Committee.
5. Recognized as an Active Industrial Member of Pollution Control Association of the Philippines, Region.

B. Safety and Health

1. Conducted Basic Occupational Safety and Health Training course with the Safety Representatives.
2. Conducted First Aid and Basic Life Support Training.
3. Participated in the Fire Prevention Month Celebration of Bureau of Fire Protection (BFP).
4. Conducted Safety Training for Managers

Further, the following projects were implemented in crop year 2014-2015.

1. Installation of factory run-off canal from mud/ash bins area to security post no.14
2. Installation of two units pumps concrete foundation of PCS No.1 (Waste water pumping station)
3. Re-routing of 4” dia. Pipeline from PCS No.3C to factory waste water disposal PCS No.1
4. Installation of factory run-off canal at Mills department area with mechanized oil separator.
5. Installation of factory run-off canal at PCS No. 3c with two units divertional slice gate.
6. Installation of safety signage at the factory.

For CY 2015-2016, CACI’s EMSD will have following activities.

A. Environmental Management

1. Medical Mission for the residents of Brgy. Nagasi, La Carlota City and Pontevedra.
2. Training for CACI- Roxol Multipartite Monitoring Team
3. Mangrove Planting Activities
4. Solid and hazardous waste management program

## B. Safety and Health

1. Formation of Emergency Response Team
2. Strict implementation of no permit, no work policy (hot work, working at heights, enclosed space).
3. Monthly safety inspection for safety representatives of each department.
4. Conduct safety training for supervisors.

For the fiscal year ending 30 September 2015, Roxol spent about Php26.03 million for the maintenance and improvement of its pollution control program. Roxol has actively pursued and implemented the following: environment safety and health program; fire prevention plan; environmental management plan and use of a wastewater treatment and methane gas recovery facility for pollution mitigation.

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

### A. Environmental Management

1. Orchestrated Clean - up activity at–Mangala River Overflow, Barangay RSB, La Carlota City last September 21, 2015 in celebration of the International Coastal Clean – up Day 2014;
2. Adopt an Estero Orchestrated Clean-up in Celebration of the Philippine Environment Month on June 20, 2014;
3. Slops delivery to farms;
4. CACI-Roxol Multi-Partite Monitoring Team Stakeholders Training.

### B. Safety and Health

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

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

For the fiscal year ending 30 September 2015, SCBI spent about Php13.9 million for the maintenance and improvement of its pollution control program. SCBI has actively pursued and implemented the

following environment safety and health program fire prevention plan environmental management plan and use of a wastewater treatment and methane gas recovery facility for pollution mitigation.

A. Environmental Management

1. SCBI installed its clear wastewater recycling facility which costs around Php 6 million. The facility uses the existing pre-filtration unit of the reverse osmosis plant to treat and recycle clear wastewater back to the process as cooling tower make up. The facility has a capacity of 400 cubic meters per day and has recycled 66,821 cubic meters of wastewater as cooling tower makeup.
2. SCBI has improved its biogas generation from 1,171,868 million cubic meters to 3,098,895 million (highest biogas generation since the start of SCBI).
3. SCBI fertilized about 282 hectares of sugarcane fields from various haciendas in San Carlos City in relation to its Fertilization Program using spentwash and compost. The program shows positive results in terms of improvement of the yield of sugarcane fields.
4. SCBI is conducted four (4) river clean-up activities as part of the Adopt-a-River Project of the DENR.
5. SCBI MMT had its first "Lakbay-Aral" last September 2-4, 2015 in Absolut Distillery in Lian, Batangas to learn and enhance knowledge on the best practices in a distillery plant.

B. Safety and Health

1. Complied with the Department of Energy's Renewable Energy Safety, Health and Environment Rules and Regulations (RESHERR);
2. Participated in the Nationwide Simultaneous Earthquake Drill locally spearheaded by the City Disaster Risk Reduction Management Office (CDRRMO).
3. Conducted OSR Safety Refresher trainings:
  - a. Machine Guarding
  - b. PPE
  - c. Ladder Safety
  - d. Hot work
  - e. Lockout/ tag-out
  - f. Confined Space
  - g. Fire Extinguisher
  - h. Working at Heights
  - i. First Aid (Nurses)
4. Participated in the Fire Prevention Month Celebration of the Bureau of Fire and Protection (BFP).
5. Complied with DOLE regulations following Occupational Safety and Health Standard (OSHS) requirements for:
  - a. Safety Committee
  - b. Annual Physical Exam
  - c. Fire Brigade and First Aid Team Total number of employees and number of full-time employees.

## Real Estate

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

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

### **Total Number of Employees and Number of Full-Time Employees**

As of 30 September 2015, the Company had two (2) executive and nine (9) employees.

Roxaco, on the other hand, had three (3) executives and thirty-three (33) employees. Nine (9) of these Roxaco employees are based in Nasugbu, Batangas and one (1) in a satellite office in Balayan, Batangas. The rest are based in its administrative and corporate offices in Makati City.

As of 31 December 2015, RHI had ten (10)seventeen (17) executive officers.

As of 31 December 2015, CADPI had three hundred eighty six (386) regular employees. The company has a standing Collective Bargaining Agreement (CBA) with the Batangas Labor Union (BLU) for a period of five (5) years from 01 July 2011 to 30 June 2016.

CACI, on the other hand, had three hundred sixty (360) regular employees as of 31 December 2015. The company has a Collective Bargaining Agreement (CBA) with the Mag-Isa Mag-Ugyon Asosasyon Sang Mamumugon Sa Central Azucarera de la Carlota (MAMCAC) for a period of five (5) years from June 2010 to May 2015. For the past three (3) years, the labor unions of CADPI and CACI have not staged a strike.

Roxol had sixty four (64) regular employees as of 31 December 2015. Roxol is not unionized.

SCBI had one hundred sixty one (161) regular employees as 31 December 2015. SCBI is not unionized.

### **Property**

The Company is the owner of a big tract of land located in Nasugbu, Batangas with land area of more or less 2,900 hectares, and with total appraised values of ₱4.448 billion as of 4 November 2014 Of these, approximately 2,500 hectares were covered by the Comprehensive Agrarian Reform Program (CARP).

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

In total, RCI has around 235.3977 hectares of land that were declared by the courts or the DAR as exempt from the coverage of CARP, including the 21.1236-hectare property declared exempt by the Supreme Court in its Decision dated 05 September 2011 in GRN 169331.

The Company is likewise the registered owner of a 1,030 sqm condominium unit located at the 7<sup>th</sup> Floor of Cacho-Gonzales Building, 101 Aguirre Street, Legaspi Village, Makati City. It has a carrying value of ₱215,855.00 while fair market value is pegged at ₱59.74 Million as of 29 October 2014. This property and 7,770 sqm of land in Nasugbu, Batangas are presently mortgaged to secure certain loan obligations.

#### Sugar-Related Businesses

RHI is the owner of a parcel of land located in Nasugbu, Batangas valued at Three Billion Ninety Two Million Seven Hundred Ninety Two Thousand Four Hundred Pesos (Php 3,092,792,400.00), Philippine currency. The land is also presently mortgaged to secure certain loan obligations.

The company likewise invested in properties in Bacolod, Negros Occidental and in Barrio Remanente, Nasugbu Batangas with aggregate value of Twenty Four Million Four Thousand Pesos (P24,004,000).

CADPI is the owner of sugar milling and refining facilities, machineries and furniture and fixtures, transportation equipment and tools located in Nasugbu, Batangas. As of 30 September 2015, these properties are valued, net of depreciation, at Three Billion Three Hundred Seventy Eight Million Pesos (Php3,378,000,000.00). These properties are presently mortgaged with banking institutions to secure certain loan obligations.

CACI is the owner of sugar milling facilities including parcels land located in Barangay Consuelo, La Carlota City and in the Municipalities of La Castellana and Pontevedra in Negros Occidental as well as improvements, machineries, furniture and fixtures, transportation equipment and tools. As of 30 September 2015, these properties are valued, net of depreciation, at Three Billion Six Hundred Thirty Four Million Pesos (Php3,634,000,000.00). These properties are presently mortgaged with banking institutions to secure certain loan obligations.

Roxol is the owner of a bioethanol plant, parcels of land located in Brgys. La Granja, Esperanza and Cubay, La Carlota City, Negros Occidental and improvements, machineries, fixtures and transportation equipment. As of 30 September 2015, these properties are valued, net of depreciation, at One Billion Five Hundred Sixty Three Million Pesos (Php1,563,000,000.00). These properties are presently mortgaged to banking institutions to secure certain loan obligations.

SCBI is the owner of a bioethanol plant as well as parcels of land and machineries, fixtures and transportation equipment located in Brgy's Punao and Palampas, San Carlos City, Negros Occidental. As of 30 September 2015, these properties are valued, net of depreciation at Two Billion Four Hundred Twenty Nine Million Pesos (Php2,429,000,000.00).

NAVI is the owner of a parcel of land in Brgy. Nagasi, La Carlota City, Negros Occidental including various buildings, improvements, machinery and other equipment. As of 30 September 2015, the properties are valued, net of depreciation, at One Hundred Ninety Six Million Seven Hundred thousand Pesos (Php196,700,000.00).

#### Real Estate

As of 30 September 2015, Roxaco's real estate inventories, consisting of real estate properties for sale, raw land and land improvements, were valued at ₱508.6 million (historical cost). Of these, properties

with total area of 677,522 sqm and carrying costs of ₱178.8 million were used as collateral to secure certain loan obligations of the Company.

### **Legal Proceedings**

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

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

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

In December 2009, the Supreme Court ruled that PP No. 1520 did not automatically reclassify the agricultural lands in Nasugbu, Batangas to non-agricultural lands<sup>6</sup>. However, the Court noted that RCI "can only look to the provisions of the Tourism Act and not to PP No. 1520, for possible exemption".

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

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

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

On 20 September 2011, RCI received from the Supreme Court a Decision dated 05 September 2011<sup>7</sup> affirming the exemption of a 21.1236-hectare property from CARP. The exempt property consists of 27 parcels of land located in Barangay Aga, Nasugbu, Batangas.

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<sup>6</sup> The 04 December 2009 Decision in SC GRN 149548, 165450, 167453, 179650, 167845 AND 169163 may be accessed at <http://sc.judiciary.gov.ph/jurisprudence/2009/december2009/149548.htm>.

<sup>7</sup> Agapito Rom, et. al. vs. Roxas and Company, Inc., G.R. No. 169331.



There are three<sup>8</sup> other CARP-related cases that are pending with the Provincial Adjudicator (PARAD) of Western Batangas and the Department of Agrarian Reform (DAR).

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

On 22 October 2012, the DAR published a Notice of Coverage over approximately 2,500 hectares of the Company's properties. The Company has filed its Protest with the DAR against this wrongful coverage. Despite the DAR's adverse decision on its protest, the Company has elevated the matter to the Court of Appeals, via Petition for Certiorari, where the said case is currently pending.

#### Sugar-Related Businesses

In the ordinary course of its business, RHI and its sugar-manufacturing subsidiaries are engaged in litigation either as complainant or defendant. RHI believes that these cases do not have any material adverse effect on it.

#### Real Estate

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

#### **Submission of Matters to a Vote of Security Holders**

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

## **PART II – SECURITIES OF THE REGISTRANT**

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

#### **1. Market Information.**

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<sup>8</sup> These cases are: (i) DAR Adm. Case No. A-9999-100-97, which is an application for exemption from CARP coverage of a 45.97 hectare property in Brgy. Aga on the ground that the said property has a slope of at least 18%. The DAR granted RCI's application. However, the farmer-beneficiaries filed a Motion for Reconsideration, to which RCI filed an opposition; (ii) Petitions for the cancellation of CLOA No. 6646 covering a 21-hectare property. These cases stemmed from a Certificate of Finality issued by DAR exempting the subject property from CARP coverage. The Provincial Adjudicator of Batangas (PARAD) decided in favor of the Company and cancelled the CLOA. The farmers' Motion for Reconsideration was subsequently denied by the PARAD. The cases are now with the Department of Agrarian Reform Adjudication Board (DARAB) in view of the appeal filed by the farmers; and (iii) DAR Case Nos. R-0401-0021 to 0058-2009 stems from a final and executory Supreme Court ruling exempting from CARP coverage a 30.1685-hectare property in Barangay Banilad, Batangas. As such, the Company filed with the PARAD Petitions for cancellation of CLOA 5189 insofar as the exempted area is concerned.

The Company has 2,911,885,870 common shares listed and traded in the Philippine Stock Exchange under the trading symbol “RCI”.

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

	High	Low
January-March 2013	2.39	2.25
April -June 2013	3.00	2.27
July -Sept. 2013	2.25	1.51
October – December 2013	5.35	4.83
January – March 2014	3.59	3.46
April – June 2014	3.02	3.05
July – Sept. 2014	2.98	2.88
October – December 2014	2.90	2.75
January – March 2015	2.95	2.57
April – June 2015	2.89	1.70
July – September 2015	2.80	1.57

(a) Holders. There were 3,373 holders of the Company’s listed shares as of 31 December 2015. The top twenty (20) holders of the Company’s common shares as of said date were:

	STOCKHOLDERS	NATIONALITY	TOTAL SHARES	%
1	SPCI Holdings, Inc.	Filipino	642,779,593	32.56%
2	Pesan Holdings, Inc.	Philippine National	530,130,888	26.86%
3	CISCO Holdings, nc.	Philippine National	112,500,000	5.70%
4	CRE Holdings, Inc.	Philippine National	112,500,000	5.70%
5	IÑIGO Holdings, Inc.	Philippine National	112,500,000	5.70%
6	SRE Holdings, Inc.	Philippine National	112,500,000	5.70%
7	PCD Nominee Corporation	Philippine National	76,444,432	3.87%
8	Antonio J. Roxas	Filipino	50,000,000	2.53%
9	Rizal Commercial Banking Corporation	Philippine National	3,048,161	0.15%
10	Pedro E. Roxas	Filipino	2,969,690	0.15%
11	Antonio Roxas Chua	Filipino	2,379,610	0.12%
12	Mari Carmen R. Elizalde	Filipino	1,361,241	0.07%
13	Francisco R. Elizalde	Filipino	1,233,672	0.06%
14	Carlos Antonio R. Elizalde	Filipino	1,220,858	0.06%
15	Santiago R. Elizalde	Filipino	1,210,930	0.06%
16	Central Azucarera dela Carlota Retirement Trust Fund	Philippine National	1,178,400	0.06%
17	Equitable Securities FAO Inigo Elizalde	Filipino	933,810	0.05%
18	Severo A. Tuason &	Filipino	537,000	0.03%

	Company, Inc.			
19	Dolores Teus De M. Vera De Rey	Filipino	488,020	0.02%
20	Concepcion Teus Vda. De M. Vara De Rey	Filipino	445,650	0.02%
	<b>SUBTOTAL</b>		1,766,381,955	89.50%
	<b>OTHER STOCKHOLDERS</b>		207,292,677	10.50%
	<b>GRAND TOTAL</b>		1,973,674,632	100.00%

## 2. Dividends.

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

<i>Declaration Date</i>	<i>Dividend Per Share</i>	<i>Record Date</i>	<i>Payment Date</i>
29 June 2006	₱ 0.06	14 July 2006	31 July 2006
5 October 2006	₱ 0.06	19 October 2006	10 November 2006
21 June 2007	₱ 0.06	13 July 2007	31 July 2007
20 September 2007	₱ 0.04	15 October 2007	8 November 2007
26 June 2008	₱ 0.06	15 July 2008	31 July 2008
2 October 2008	₱ 0.06	15 October 2008	30 October 2008
13 December 2013	₱ 0.02	06 January 2014	30 January 2014
12 December 2014	₱ 0.02	15 January 2015	30 January 2015

## 3. Recent Sales of Unregistered Securities.

### (a) Securities Sold.

There was no recent sale of unregistered or exempt securities.

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

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

### (b) Exemption from Registration Claimed.

On 30 June 2009, the Company filed with the Securities and Exchange Commission a Notice of Exempt Transaction (SEC Form 10.1) for the 1,365,990, 294 new and unlisted shares (taken from the increase in

the authorized capital stock) that were issued by the Company in connection with the merger of RCI and CADPGC.

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

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

#### **4. Description of Registrant's Securities.**

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

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

### **CORPORATE GOVERNANCE**

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

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

## OTHER MATTERS

### Action With Respect to Reports

The following reports/minutes of meetings will be submitted for ratification/approval by the stockholders in the Annual Stockholders' Meeting scheduled on 09 March 2016:

- a) Chairman's Report and the Consolidated Audited Financial Statements for the fiscal year ending 30 September 2015;
- b) Minutes of the Annual Meeting of Stockholders held on 25 February 2015.

The minutes of meeting of the 25 February 2015 annual meeting of shareholders will be made available to all shareholders on the day of the annual meeting. Essentially, the minutes of the annual meeting contains the following:

- (i) reading and approval of the minutes of the 27 February 2013 annual meeting of shareholders;
  - (ii) presentation and approval of the 30 September 2014 annual report to shareholders;
  - (iii) approval and ratification of all acts and resolution of the Board of Directors since the annual meeting of shareholders on 26 February 2014;
  - (iv) the elected members of the Board of Directors for fiscal year 2014-2015; and
  - (v) the external auditor for fiscal year 2014-2015.
- c) Acts/Resolutions of the Board of Directors since the 25 February 2015 annual meeting of shareholders, which include the following:
- (i) Acts/resolutions approved during the 25 February 2015 Organizational Meeting of the Board of Directors. The Board also elected the following as officers of the Company:

Pedro E. Roxas	-	Chairman/President & CEO
Armando B. Escobar	-	Vice President & CFO/Treasurer
Atty. Peter D. Barot	-	Corporate Secretary
Atty. Alejandro S. Casabar	-	Assistant Corporate Secretary Compliance Officer Corporate Information Officer
Marylet O. Guillermo	-	Alternate Corporate Information Officer

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

#### Audit & Risk Committee

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

Francisco Jose R. Elizalde - Member

Executive Compensation Committee

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

Nomination, Election & Governance Committee

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

- (ii) Acts/resolutions approved during the 14 May 2015 regular meeting of the Board: (a) consolidated financial reports of the Company for the quarter ending 31 March 2015; (b) payment to the directors of the amount of Php50,000 for each attendance in board meetings broken down into (i) cash payment of Php25,000, and (ii) Php25,000 worth of shares of stock of RCI, to be taken from RCI's treasury shares computed based on last closing price of RCI shares in the PSE immediately prior to the scheduled meeting; and (c) the sale of 50 Million treasury shares to Mr. Pedro E. Roxas at the price of Php2.00 per share;
- (iii) Acts/resolutions approved during the 20 August 2015 regular meeting of the Board: (a) financial reports for the quarter ending 30 June 2015; (b) the proposed budget of the Company for FY 2015-2016; (c) the PCEO compensation package; (d) the investment in a joint venture company for the development, operation, and management of an integrated coconut processing facility in South Cotabato; and (e) the appointment of the following key personnel: (i) Santiago R. Elizalde – PCEO of Roxaco Land Corp., (ii) Armando B. Escobar – EVP-CFO & Treasurer of RCI, (iii) Fernando L. Gaspar – Advisor to the Board of RCI.
- (iv) Acts/resolutions approved during the 12 November 2015 regular meeting of the Board; (a) resignation of Mr. Renato C. Valencia as member of the Board of Directors; and (b) elected Mr. Fernando L. Gaspar as member of the Board of Directors and appointed as member of the Audit and Risk Committee.
- (v) Acts/resolutions approved during the 18 December 2015 regular meeting of the Board: (a) audited financial report as of, and ending 30 September 2015; (b) amending Article IV Section 1 of the By-Laws, change of the Company's Fiscal Year to Calendar Year; and (c) declaration of a cash dividend in the sum P0.01 per share to all shareholders of record as of 15 January 2016. The cash dividend shall be paid on 05 February 2016.

## VOTING PROCEDURES

(a) The vote required for the:-

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

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

**THE COMPANY UNDERTAKES TO PROVIDE WITHOUT CHARGE A COPY OF THE COMPANY'S ANNUAL REPORT ON SEC FORM 17-A UPON WRITTEN REQUEST ADDRESSED TO THE OFFICE OF THE ASSISTANT CORPORATE SECRETARY, 7/F CG BULDING, 101 AGUIRRE ST., LEGASPI VILLAGE, MAKATI CITY 1229. AT THE DISCRETION OF MANAGEMENT, A CHARGE MAY BE MADE FOR EXHIBITS, PROVIDED SUCH CHARGE IS LIMITED TO REASONABLE EXPENSES INCURRED BY THE REGISTRANT FURNISHING SUCH EXHIBITS.**

## SIGNATURE

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

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

By:

  
**ALEZANDRO S. CASABAR**  
Assistant Corporate Secretary

10 February 2016



## **A N N E X “A”**

### **Statement of Management’s Responsibility and Audited Consolidated Financial Statements**



December 18, 2015

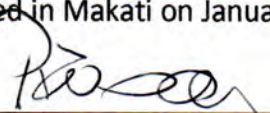
**STATEMENT OF MANAGEMENT RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

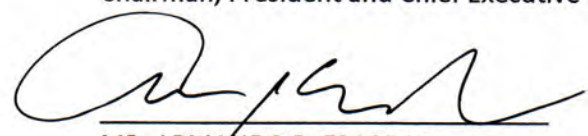
The management of Roxas and Company, Inc. (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements as at September 30, 2015 and 2014 and for each of the three years in the period ended September 30, 2015, 2014 and 2013, including the additional components attached therein, in accordance with the Philippine Financial Reporting Standards indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

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

Issued in Makati on January 13, 2016


  
\_\_\_\_\_  
MR. PEDRO E. ROXAS  
Chairman, President and Chief Executive Officer

  
\_\_\_\_\_  
MR. ARMANDO B. ESCOBAR  
VP - Chief Financial Officer/Treasurer

**SUBSCRIBED AND SWORN** to me this JAN 13 2016 day of January 2016; affiants exhibited to me their respective Community Tax Certificates, as follows:

Pedro E. Roxas      04924364    February 6, 2015    Makati City    SSS 02-6432908-7  
Armando B. Escobar    109-203-427                                         SSS 03-6432908-7

Doc No. 442  
Page No. 90  
Book No. 141  
Series of 2016

  
**ATTY. ROBERT M. LLUZA**  
NOTARY PUBLIC  
Until December 31, 2017  
Appt. No. M-20, Makati City  
IBP #1009529, Sept-24, 2015-RSM  
PTR #5321594, Jan. 04, 2016-Makati  
S.C. Roll No. 59597  
MCLE Compliance No. IV-0011330  
Unit 301 3<sup>rd</sup> Flr. Campos Rueda Bldg.  
Makati City

# **Roxas and Company, Inc. and Subsidiaries**

Consolidated Financial Statements  
September 30, 2015, 2014 and 2013

With independent auditor's report provided by



**REYES TACANDONG & Co.**

**FIRM PRINCIPLES. WISE SOLUTIONS.**

# COVER SHEET

## for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

P	W	0	0	0	0	0	8	3	4
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### COMPANY NAME

R	O	X	A	S		A	N	D		C	O	M	P	A	N	Y	,		I	N	C	.		A	N	D		S	U	B	S	I	D	I	A	R	I	E		
S																																								

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

7	t	h		F	l	o	o	r	,		C	a	c	h	o	-	G	o	n	z	a	l	e	s		B	u	i	l	d	i	n	g	,		1	0	1		
A	g	u	i	r	r	e		S	t	r	e	e	t	,		L	e	g	a	s	p	i		V	i	l	l	a	g	e	,		M	a	k	a	t	i		
C	i	t	y																																					

Form Type

A	A	F	S
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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

N	/	A
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### COMPANY INFORMATION

Company's Email Address

www.roxascompany.com.ph

Company's Telephone Number/s

(02) 810-8901

Mobile Number

-

No. of Stockholders

3,384

Annual Meeting (Month / Day)

4th Wednesday of February

Fiscal Year (Month / Day)

September 30

### CONTACT PERSON INFORMATION

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

Name of Contact Person

Atty. Alejandro S. Casabar

Email Address

asc@roxaco.com

Telephone Number/s

(632) 751-9536

Mobile Number

-

### CONTACT PERSON'S ADDRESS

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

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

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

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of Roxas and Company, Inc. and Subsidiaries, which comprise the consolidated statements of financial position as at September 30, 2015 and 2014, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended September 30, 2015, 2014 and 2013, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditor's Responsibility*

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

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

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



*Opinion*

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Roxas and Company, Inc. and Subsidiaries as at September 30, 2015 and 2014, and their financial performance and their cash flows for each of the three years in the period ended September 30, 2015, 2014 and 2013, in accordance with Philippine Financial Reporting Standards.

**REYES TACANDONG & Co.**

**PROTACIO T. TACANDONG**

Partner

CPA Certificate No. 25006

Tax Identification No. 105-309-124-000

BOA Accreditation No. 4782; Valid until December 31, 2015

SEC Accreditation No. 1024-AR-1 Group A

Valid until September 23, 2016

BIR Accreditation No. 08-005144-2-2013

Valid until November 26, 2016

PTR No. 4748319

Issued January 5, 2015, Makati City

December 18, 2015

Makati City, Metro Manila

**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Amounts in Thousands)

		September 30	
	Note	2015	2014
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	₱183,300	₱139,791
Trade and other receivables	8	304,079	194,142
Real estate for sale and development	9	508,603	441,012
Other current assets	10	80,752	70,007
Total Current Assets		1,076,734	844,952
<b>Noncurrent Assets</b>			
Receivables - net of current portion	8	32,790	2,387
Investments in associates and a joint venture	11	2,470,307	2,167,405
Property and equipment	12	60,064	4,444
Investment properties	13	4,495,444	4,448,544
Deferred tax assets	25	12,459	4,792
Total Noncurrent Assets		7,071,064	6,627,572
		<b>₱8,147,798</b>	<b>₱7,472,524</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Short-term borrowings	14	₱593,604	₱92,386
Current portion of long-term borrowings	15	63,829	56,429
Trade and other payables	16	215,680	181,471
Total Current Liabilities		873,113	330,286
<b>Noncurrent Liabilities</b>			
Long-term borrowings - net of current portion	15	138,516	202,546
Retirement liability	17	11,869	6,729
Total Noncurrent Liabilities		150,385	209,275
Total Liabilities		1,023,498	539,561
<b>Equity attributable to the Equity Holders of the Parent Company</b>			
Capital stock	18	2,911,886	2,911,886
Additional paid-in capital	18	1,626,393	1,611,393
Treasury stock	18	(1,598,654)	(1,683,654)
Other equity reserves	18	283,914	289,263
Retained earnings	18	3,906,433	3,809,706
		7,129,972	6,938,594
<b>Non-controlling Interests</b>			
		(5,672)	(5,631)
Total Equity		7,124,300	6,932,963
		<b>₱8,147,798</b>	<b>₱7,472,524</b>

See accompanying Notes to Consolidated Financial Statements.

**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
[Amounts in Thousands, Except Basic/Diluted Earnings (Loss) per Share Data]

		Years Ended September 30		
	Note	2015	2014	2013
<b>SALE OF REAL ESTATE</b>		<b>₱250,434</b>	₱199,809	₱83,161
<b>COST OF REAL ESTATE SALES</b>	9	<b>(152,939)</b>	(105,439)	(34,446)
<b>GROSS INCOME</b>		<b>97,495</b>	94,370	48,715
<b>OPERATING EXPENSES</b>	22	<b>(118,215)</b>	(100,871)	(108,281)
<b>OTHER INCOME (CHARGES)</b>				
Gain on deemed disposal of an associate	11	<b>84,774</b>	–	–
Unrealized fair value gain (loss) on investment properties	13	<b>55,319</b>	16,050	(231)
Interest income	7	<b>11,736</b>	9,271	5,491
Interest expense	15	<b>(17,871)</b>	(15,472)	(25,756)
Equity in net earnings of associates and a joint venture	11	<b>3,823</b>	196,953	392
Gain on disposal of a subsidiary	6	–	2,036,038	–
Others - net	24	<b>27,404</b>	20,053	26,986
		<b>165,185</b>	2,262,893	6,882
<b>INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAX</b>		<b>144,465</b>	2,256,392	(52,684)
<b>INCOME TAX EXPENSE (BENEFIT)</b>	25			
Current		<b>17,015</b>	7,539	1,285
Deferred		<b>(7,666)</b>	1,436	(240)
		<b>9,349</b>	8,975	1,045
<b>NET INCOME (LOSS) FROM CONTINUING OPERATIONS</b>		<b>135,116</b>	2,247,417	(53,729)
<b>NET INCOME FROM DISCONTINUED OPERATIONS</b>	6	–	41,816	485,482
<b>NET INCOME</b>		<b>₱135,116</b>	₱2,289,233	₱431,753
<b>Net Income (Loss) Attributable to:</b>				
Equity holders of the Parent Company		<b>₱135,157</b>	₱2,274,885	₱265,283
Non-controlling interests		<b>(41)</b>	14,348	166,470
		<b>₱135,116</b>	₱2,289,233	₱431,753
<b>BASIC/DILUTED EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY</b>	26	<b>₱0.07</b>	₱1.18	₱0.09
Continuing Operations		<b>0.07</b>	1.16	(0.08)
Discontinued Operations		–	0.02	0.17

See accompanying Notes to Consolidated Financial Statements.

**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Amounts in Thousands)

	Note	Years Ended September 30		
		2015	2014	2013
<b>NET INCOME</b>		<b>₱135,116</b>	₱2,289,233	₱431,753
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
<i>Items that will not be reclassified to profit or loss</i>				
Share in remeasurement gain (loss) on retirement liability of an associate	11	(5,349)	917	–
Remeasurement gain (loss) on retirement liability, net of tax	17	–	1,046	(321)
<i>Item that will be reclassified to profit or loss when realized</i>				
Share in unrealized loss on available-for-sale financial assets of an associate	11	–	(50)	–
<b>OTHER COMPREHENSIVE INCOME FROM CONTINUING OPERATIONS</b>		<b>129,767</b>	2,291,146	431,432
<b>OTHER COMPREHENSIVE INCOME (LOSS) FROM DISCONTINUED OPERATIONS</b>		–	458	(184,547)
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>₱129,767</b>	₱2,291,604	₱246,885
<b>Total Comprehensive Income Attributable to:</b>				
Equity holders of the Parent Company		₱129,808	₱2,277,099	₱143,715
Noncontrolling interests		(41)	14,505	103,170
		<b>₱129,767</b>	₱2,291,604	₱246,885

See accompanying Notes to Consolidated Financial Statements.



**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2015, 2014 AND 2013**  
**(Amounts in Thousands)**

	Note	Equity Attributable to Equity Holders of the Parent Company					Total	Non-controlling Interests	Total Equity
		Capital Stock (Note 18)	Additional Paid-in Capital (Note 18)	Treasury Stock (Note 18)	Other Equity Reserves (Note 18)	Retained Earnings (Note 18)			
Balances as at October 1, 2014		<b>₱2,911,886</b>	<b>₱1,611,393</b>	<b>(₱1,683,654)</b>	<b>₱289,263</b>	<b>₱3,809,706</b>	<b>₱6,938,594</b>	<b>(₱5,631)</b>	<b>₱6,932,963</b>
Net income		–	–	–	–	<b>135,157</b>	<b>135,157</b>	<b>(41)</b>	<b>135,116</b>
Issuances of treasury shares	18	–	<b>15,000</b>	<b>85,000</b>	–	–	<b>100,000</b>	–	<b>100,000</b>
Cash dividends	18	–	–	–	–	<b>(38,430)</b>	<b>(38,430)</b>	–	<b>(38,430)</b>
Share in remeasurement loss on retirement liability of an associate	11	–	–	–	<b>(5,349)</b>	–	<b>(5,349)</b>	–	<b>(5,349)</b>
<b>Balances as at September 30, 2015</b>		<b>₱2,911,886</b>	<b>₱1,626,393</b>	<b>(₱1,598,654)</b>	<b>₱283,914</b>	<b>₱3,906,433</b>	<b>₱7,129,972</b>	<b>(₱5,672)</b>	<b>₱7,124,300</b>
Balances as at October 1, 2013		₱2,911,886	₱1,611,393	₱–	₱1,326,345	₱2,328,190	₱8,177,814	₱1,862,479	₱10,040,293
Effect of deconsolidation	6	–	–	–	(1,039,296)	(754,939)	(1,794,235)	(1,863,435)	(3,657,670)
Net income		–	–	–	–	2,274,885	2,274,885	14,348	2,289,233
Acquisition of treasury stock	18	–	–	(1,683,654)	–	–	(1,683,654)	–	(1,683,654)
Cash dividends	18	–	–	–	–	(38,430)	(38,430)	(19,180)	(57,610)
Remeasurement gain on retirement liability	17	–	–	–	1,347	–	1,347	157	1,504
Share in remeasurement gain on retirement liability of an associate	11	–	–	–	917	–	917	–	917
Share in unrealized loss on available-for-sale financial assets of an associate	11	–	–	–	(50)	–	(50)	–	(50)
<b>Balances as at September 30, 2014</b>		<b>₱2,911,886</b>	<b>₱1,611,393</b>	<b>(₱1,683,654)</b>	<b>₱289,263</b>	<b>₱3,809,706</b>	<b>₱6,938,594</b>	<b>(₱5,631)</b>	<b>₱6,932,963</b>
Balance as at October 1, 2012		₱2,911,886	₱1,611,393	₱–	₱1,447,914	₱2,062,907	₱8,034,100	₱1,788,510	₱9,822,610
Net income		–	–	–	–	265,283	265,283	166,470	431,753
Remeasurement loss on retirement liability		–	–	–	(121,569)	–	(121,569)	(63,299)	(184,868)
Cash dividends of a subsidiary		–	–	–	–	–	–	(31,194)	(31,194)
Employee stock option by a subsidiary		–	–	–	–	–	–	1,992	1,992
<b>Balances as at September 30, 2013</b>		<b>₱2,911,886</b>	<b>₱1,611,393</b>	<b>₱–</b>	<b>₱1,326,345</b>	<b>₱2,328,190</b>	<b>₱8,177,814</b>	<b>₱1,862,479</b>	<b>₱10,040,293</b>

See accompanying Notes to Consolidated Financial Statements.

**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Amounts in Thousands)

	Note	Years Ended September 30		
		2015	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income (loss) before income tax:				
Continuing operations		<b>₱144,465</b>	₱2,256,392	(₱52,684)
Discontinued operations	6	–	54,027	735,697
Income before income tax		<b>144,465</b>	2,310,419	683,013
Adjustments for:				
Gain on deemed disposal of an associate	11	<b>(84,774)</b>	–	–
Unrealized fair value loss (gain) on investment properties	13	<b>(55,319)</b>	(16,050)	231
Interest expense	15	<b>17,871</b>	79,095	416,418
Interest income	7	<b>(11,736)</b>	(9,315)	(7,877)
Retirement benefits	17	<b>5,241</b>	10,910	41,231
Equity in net earnings of associates	11	<b>(3,823)</b>	(196,953)	(68,027)
Gain on sale of property and equipment	12	<b>(3,500)</b>	–	–
Depreciation and amortization	12	<b>2,471</b>	114,164	684,740
Gain on disposal of a subsidiary	6	–	(2,036,038)	–
Provision for impairment loss on real estate for sale and development	9	–	2,323	–
Provision for lease-back guarantee	27	–	1,085	–
Loss on real estate for sale and development	9	–	715	–
Provision for impairment loss on available-for-sale financial assets	10	–	688	–
Income from performance bank guarantee		–	–	(62,834)
Loss on property and equipment due to fire	24	–	–	22,305
Provision for inventory losses and obsolescence		–	–	13,544
Provision for impairment losses on receivables		–	–	6,236
Employee stock option		–	–	1,991
Operating income before working capital changes		<b>10,896</b>	261,043	1,730,971
Decrease (increase) in:				
Trade and other receivables		<b>(136,840)</b>	(290,955)	(502,783)
Real estate for sale and development		<b>(59,172)</b>	(54,891)	(47,410)
Inventories		–	310,874	(785,102)
Other current assets		<b>(10,745)</b>	(266,784)	(59,358)
Increase in trade and other payables		<b>33,979</b>	880,521	14,106
Net cash generated from (used for) operations		<b>(161,882)</b>	839,808	350,424
Income taxes paid, including application of creditable withholding and final taxes		<b>(17,015)</b>	(24,196)	(75,212)
Interest received		<b>11,736</b>	8,625	7,877
Retirement contributions paid	17	<b>(101)</b>	(1,074)	(124,403)
Net cash provided by (used in) operating activities		<b>(167,262)</b>	823,163	158,686

(Forward)

		<b>Years Ended September 30</b>		
	Note	2015	2014	2013
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Additions to:				
Investments in associates and a joint venture	11	(P301,235)	(P155,000)	P-
Property and equipment	12	(58,091)	(42,443)	(217,749)
Dividends received	11	81,581	38,201	22,958
Proceeds from:				
Disposal of a subsidiary	6	-	2,220,388	-
Disposal of property and equipment and investment properties		-	-	164
Cash and cash equivalents of the disposed subsidiary as at the date of disposal	6	-	(170,472)	-
Decrease in other noncurrent assets		-	2,261	20,456
<b>Net cash provided by (used in) investing activities</b>		<b>(277,745)</b>	<b>1,892,935</b>	<b>(174,171)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Net availments (payments) of short-term borrowings				
		<b>577,300</b>	(712,323)	(173,973)
Payments of:				
Long-term borrowings		<b>(132,711)</b>	(271,112)	(182,368)
Dividends		<b>(38,202)</b>	(37,576)	(140,451)
Interest		<b>(17,871)</b>	(70,268)	(418,571)
Proceeds from:				
Issuance of treasury stock		<b>100,000</b>	-	-
Long-term borrowings		-	-	930,001
Acquisition of treasury stock		-	(1,683,654)	-
<b>Net cash provided by (used in) financing activities</b>		<b>488,516</b>	<b>(2,774,933)</b>	<b>14,638</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>43,509</b>	(58,835)	(847)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>139,791</b>	198,626	199,473
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>7</b>	<b>P183,300</b>	P139,791	P198,626
<b>NONCASH INVESTING INFORMATION</b>				
Reclassification of investment in a subsidiary to investment in an associate				
	11	P-	P1,709	P-

See accompanying Notes to Consolidated Financial Statements.

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

**1. Corporate Information**

Roxas and Company, Inc. (the Parent Company), formerly CADP Group Corporation (CADPGC), was organized in the Philippines and registered with the Securities and Exchange Commission (SEC) on October 7, 1918, primarily to acquire, own, develop, sell and hold investment in real estate and sugar business. The corporate life of the Parent Company was extended for another 50 years until October 7, 2018.

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: Pesian Holdings, Inc. and SPCI Holdings, Inc., among others. As at September 30, 2015 and 2014, the Company has 3,384 and 3,402 shareholders, respectively.

The following are the subsidiaries of the Parent Company:

	Percentage of Ownership		Line of Business
	2015	2014	
Roxaco Land Corporation (RLC)	100.00	100.00	Real estate
United Ventures Corporation (UVC)	100.00	100.00	Warehouse leasing
Nasugbu Feeds Corporation (NAFECOR)	100.00	100.00	Manufacturing
Roxas Green Energy Corporation (RGEC)	100.00	–	Generation and distribution of energy
Roxaco Commercial Properties Corporation (RCPC)	100.00	100.00	Real estate
SAMG Memorial Management & Services Inc. (SMMSI)	100.00	100.00	Funeral and related services
Fuego Hotels and Properties Management Corporation (FHPMC)	75.33	75.33	Hotel and resort management

On November 29, 2013, the Parent Company sold its 31% equity interest in RHI to First Pacific Company, Ltd. (First Pacific), a Hong Kong-based company (see Note 6). The Parent Company remained the major shareholder with 35% equity interest in RHI as at September 30, 2014. On October 1, 2014, the Parent Company acquired additional 5.0 million shares of RHI increasing its equity interest in RHI to 36%.

On February 27, 2015, the equity interest of the Parent Company in RHI was further diluted from 36% to 28% as a result of the issuance by RHI of 241.8 million treasury shares to First Agri Holdings Corporation, a subsidiary of First Pacific (see Note 11). Also, on the same date, the Parent Company acquired additional 33.1 million shares of RHI from various shareholders (see Note 11). As at September 30, 2015, the Parent Company has 31% equity interest in RHI.

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

Approval of the Consolidated Financial Statements

The accompanying consolidated financial statements of the Parent Company and its Subsidiaries (collectively referred to as the Group) as at September 30, 2015 and 2014 and for each of the three years in the period ended September 30, 2015 have been approved and authorized for issue by the Board of Directors (BOD) on December 18, 2015, as reviewed and recommended for approval by the Audit and Risk Committee on December 4, 2015.

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## 2. Basis of Preparation and Statement of Compliance

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

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

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

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## 3. Summary of Changes in Accounting Policies

### Adoption of New and Revised PFRS

The Group adopted the following new and revised PFRS effective October 1, 2014 as summarized below.

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

- Amendments to PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*, address inconsistencies in current practice when applying the offsetting criteria in PAS 32. The amendments clarify (1) 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.
- Amendments to PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets*, remove the unintended consequences of PFRS 13, *Fair Value Measurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units for which impairment loss has been recognized or reversed during the period.
- Philippine Interpretation IFRIC 21, *Levies*, clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability is recognized before the specified minimum threshold is reached.

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

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

- Amendments to PFRS 10 *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities* and PAS 27, *Separate Financial Statements - Investment Entities*, provide an exception from the requirements of consolidation for investment entities and instead require these entities to present their investments in subsidiaries as a net investment that is measured at fair value through profit or loss. Investment entity refers to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both.
- Amendments to PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions*, apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions from current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions from current service cost upon payment of these contributions to the plans.
- Amendments to PAS 24, *Related Party Disclosures - Key Management Personnel* – The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity.
- Amendment to PAS 40, *Investment Property - Clarifying the Interrelationship between PFRS 3, Business Combination and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property* – The amendment clarifies that determining whether a specific transaction meets the definition of both a business combination and investment property requires the separate application of PAS 40 and PFRS 3, *Business Combination*.

The adoption of the foregoing new and revised PFRS did not have any material effect on the consolidated financial statements of the Group. Additional disclosures have been included in the notes to consolidated financial statements, as applicable.

#### New and Revised PFRS not yet Adopted

Relevant new and revised PFRS, which are not yet effective for the year ended September 30, 2015 and have not been applied in preparing the consolidated financial statements, are summarized below.

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

- Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate Joint Venture*, require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

- Amendments to PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*, require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.
- Amendments to PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization*, clarify that a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

Annual Improvements to PFRS (2012 to 2014 cycle):

- Amendments to PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*, clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should be considered as a continuation of the original plan of disposal rather than a new plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.
- Amendments to PAS 19, *Employee Benefits - Regional Marketing Issue Regarding Discount Rate*, clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

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

- PFRS 15, *Revenue from Contracts with Customers* - This standard establishes the principles that an entity should apply to report useful information to users of financial statements about the nature, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.
- PFRS 9, *Financial Instruments*, reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

Under prevailing circumstances, the adoption of the foregoing new and revised PFRS, except for PFRS 15, is not expected to have any material effect on the consolidated financial statements. Additional disclosures will be included in the consolidated financial statements, as applicable.

The Group is in the process of determining and quantifying the impact of the adoption of PFRS 15 on the consolidated financial statements of the Group.

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

The significant accounting and financial reporting policies that have been used in the preparation of the consolidated financial statement are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### Basis of Consolidation

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

The following is the list of the subsidiaries:

	Percentage of Ownership			Line of Business	Year End
	2015	2014	2013		
Roxaco Land Corporation (RLC)	<b>100.00</b>	100.00	100.00	Real estate	September 30
United Ventures Corporation (UVC)	<b>100.00</b>	100.00	100.00	Warehouse leasing	December 31
Nasugbu Feeds Corporation (NAFECOR)	<b>100.00</b>	100.00	100.00	Manufacturing	December 31
Roxas Green Energy Corporation (RGEC)**	<b>100.00</b>	–	–	Generation, collection and distribution of energy	December 31
Roxaco Commercial Properties Corporation (RCPC)***	<b>100.00</b>	100.00	100.00	Real estate	December 31
SAMG Memorial Management & Services Inc. (SMMSI)***	<b>100.00</b>	100.00	100.00	Funeral and related services	September 30
Fuego Hotels and Properties Management Corporation (FHPMC)***	<b>75.33</b>	75.33	75.33	Hotel and resort management	December 31

\* On April 10, 2008, the BOD approved the cessation of operations, closure of business and dissolution of NAFECOR. The application for dissolution is still pending with the SEC.

\*\* RGEC was incorporated on May 14, 2015 and has not started commercial operations. The required subscribed capital was paid in December 2015.

\*\*\* Considered a subsidiary of the Parent Company through its effective interest in RLC

All the subsidiaries are incorporated and domiciled in the Philippines.

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

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



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

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

Non-controlling interests represent the portion of profit or loss and net assets of FHMPC in 2015 and FHPMC and RHI in 2014 and 2013, respectively, not held by the Group, directly or indirectly, and are presented separately in the consolidated statement of income and within the equity section of the consolidated statement of financial position and consolidated statement of changes in equity, separately from the Parent Company's equity. Total comprehensive income (loss) is attributed to the portion held by the Parent Company and non-controlling interests even if this results in the non-controlling 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. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

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

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

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

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

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

### Financial Instruments

*Date of Recognition.* The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of financial assets are recognized on the trade date, i.e., the date that the Group commits to purchase the asset.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of the assets within the period generally established by regulation or convention in the market place.

*Initial Recognition.* 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.

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

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

The Group does not have financial instruments classified as financial assets or liabilities at FVPL and HTM investments as at September 30, 2015 and 2014.

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

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

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

Classified as loans and receivables are the cash in banks, cash equivalents and receivables (see Notes 7, 8 and 19).

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

Trade receivables with average credit terms of 30 days are recognized and carried at original invoice amount less any allowance for impairment.

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

Where the Group holds more than one investment in the same security, these are deemed to be disposed of on a first-in, first-out basis. Interest earned or paid on the investments is recognized as interest income or expense using the effective interest rate method. Dividends earned on investments are recognized in profit or loss when the right of payment has been established.

These financial assets are classified as noncurrent assets unless the intention is to dispose such assets within 12 months from the end of reporting year.

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

Classified as AFS financial assets are the unquoted equity investments as at September 30, 2015 and 2014 (see Note 10).

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

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

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

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

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

This category includes trade and other payables (excluding statutory liabilities) and short-term and long-term borrowings as at September 30, 2015 and 2014 (see Notes 14, 15, 16 and 19).

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

a. Financial assets carried at amortized cost

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

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

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

b. Financial assets carried at cost

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

c. AFS financial assets

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

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

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

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

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

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

*Offsetting of Financial Instruments.* Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related financial assets and liabilities are presented gross in the consolidated statement of financial position.

#### Fair Value Measurement

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

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

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

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

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

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

- Note 5, Significant Judgments, Accounting Estimates and Assumptions - Determination of Fair Value of Investment Properties
- Note 12, Property and Equipment
- Note 13, Investment Properties
- Note 28, Financial Instruments

#### 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 Net realizable value (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 (CWT), input value-added tax (VAT) and prepayments. Other current assets are carried at face value.

*Creditable Withholding Taxes.* CWT represents the total accumulated tax credits for current and prior year's excess credit and deducted from income tax payable on the same year the revenue was recognized.

*Prepayments.* Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to expenses as these are consumed in operations or expire with the passage of time.

Prepayments are classified as current asset when the cost of goods or services related to the prepayment is expected to be incurred within one year. Otherwise, prepayments are classified as noncurrent assets.

#### Investments in Associates

Investments in associates are recognized initially at cost and subsequently accounted for using the equity method.

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

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

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

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

#### Joint Arrangements

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



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

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

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

*Investment in a Joint Operation.* RLC has investments in a joint operation, which pertains to agreements with joint venture partners, VJ Properties, Inc. (VJPI) and Marilo Realty Development Corporation and Landco Pacific Corporation (LPC), for the development of various projects. A joint operation is when a joint arrangement is not structured through a separate vehicle whereby parties have rights to the assets and obligations for the liabilities related to the joint arrangement. Assets, liabilities, revenues and expenses are recognized in relation to its interest in the joint operation.

#### Property and Equipment

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

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

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

Depreciation and amortization on depreciable property and equipment are 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	5
Transportation equipment	3 to 6
Office furniture, fixtures and equipment	3 to 10

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

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

The assets' estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from items of property 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 comprise land that are held either to earn rentals or for capital appreciation or both and that are not occupied by the entities in the Group.

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

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

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

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

#### Impairment of Nonfinancial Assets

The carrying amount of investments in associates and a joint venture, property 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.

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

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

*Retained Earnings.* Retained earnings represent the cumulative balance of net income or loss, dividend distributions, effects of the changes in accounting policy and other capital adjustments. Appropriated or restricted retained earnings represent that portion, which has been appropriated or restricted and are not available for any dividend declaration. Unappropriated or unrestricted retained earnings represent that portion, which can be declared as dividends to shareholders.

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

#### Other Comprehensive Income (Loss)

Other comprehensive income (loss) comprises items of income and expenses (including items previously presented under the consolidated statement of changes in equity) that are not recognized in profit or loss for the year in accordance with PFRS. These include revaluation increment on land, share in changes in fair value of AFS financial assets of an associate and remeasurement loss on retirement liability, which are presented as part of "Other Equity Reserves" account in the consolidated statement of changes in equity.

#### Revenue Recognition

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

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

*Sale of Real Estate.* The Group assesses whether it is probable that the economic benefits will flow to the Group when the sales prices are collectible. Collectability of the sales price is demonstrated by the buyer's commitment to pay, which is supported by the buyer's initial and continuing investments gives the buyer a stake in the property sufficient that the risk of loss through default that motivates the buyer to honor its obligation to the Group. Collectability is also assessed by considering factors such as collections, credit standing of the buyer, age and location of the property.

Revenue from sales of completed real estate projects is accounted for using the full accrual method. In accordance with Philippine Interpretations Committee Q&A No. 2006-01, the percentage of completion method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond

preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliably. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work. Revenue is recognized when the collectability of the sales price is reasonably assured and when the risk and benefits over the assets have been transferred, which is usually when the Group collects at least 10% or more of the total contract price.

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

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

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

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

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

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

#### Cost and Expense Recognition

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

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

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

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

## Employee Benefits

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

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

*Retirement Benefits.* The Parent Company and RLC have individual and separate defined benefit plan. A defined benefit plan is a retirement plan that defines an amount of retirement benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. The plan is generally funded through payments to trustee-administered funds as determined by periodic actuarial calculations.

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

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

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

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

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

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

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

### Borrowing Costs

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

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

### Leases

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

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

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

### Foreign Currency-Denominated Transactions

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

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

### Income Taxes

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

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

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

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits (excess of minimum corporate income taxes or MCIT over regular corporate income taxes or RCIT) and unused tax losses (net operating loss carryover or NOLCO), to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and unused tax losses can be utilized.

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

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

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

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

#### Value-added Tax (VAT)

Revenue, expenses and assets are recognized, net of the amount of VAT, except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of "Other current assets" account or "Trade and other payables" account, respectively, in the consolidated statement of financial position.

#### Related Parties Relationship and Transactions

Related party transactions consist of transfers of resources, services or obligations between the Company and its related parties.



Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) individuals who, by owning directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; (b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on legal form.

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

Basic earnings (loss) per share is calculated by dividing the net income (loss) attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the year, excluding common shares purchased by the Parent Company and held as treasury shares.

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

The Parent Company has no dilutive potential common shares.

#### Segment Reporting

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

For purposes of management reporting, the Group's operating businesses are organized and managed separately based on the nature of the business segment, with each business representing a strategic business segment. As a result of the deconsolidation of RHI (see Note 6), reportable operating segments primarily consist of the real estate business and other segments, which are not reported separately (see Note 29).

#### Provisions

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

### Contingencies

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

### Events after the Reporting Year

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

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## 5. Significant Judgments, Accounting Estimates and Assumptions

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

Judgments, estimates and assumptions are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

### Judgments

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

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

reported a loss; and (c) its assets are 10% or more of the combined assets of all operating segments.

The Group determined that its operating segments are organized and managed separately based on the nature of the business segment, with each business representing a strategic business segment. As a result of the deconsolidation of RHI (see Note 6), reportable operating segments primarily consist of the real estate business and other segments, which are not reported separately (see Note 29).

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

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

Rent income amounted to ₱1.1 million, ₱1.6 million and ₱0.8 million in 2015, 2014 and 2013, respectively (see Note 24).

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

No rent expense was recognized in 2015. Rent expense amounted to ₱16.2 million and ₱83.2 million in 2014 and 2013, respectively (see Notes 21 and 22).

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

The Group classified and accounted for the land properties of the Group, which are held for rental and/or capital appreciation, as investment properties. As at September 30, 2015 and 2014, the carrying value of investment properties amounted to ₱4,495.4 million and ₱4,448.5 million, respectively (see Note 13).

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

### Estimates and Assumptions

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

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

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

As at September 30, 2015 and 2014, the carrying amount of the trade and other receivables (including noncurrent portion of installment contract receivables and receivable from Land Bank of the Philippines (LBP) in 2014) amounted to ₱336.9 million and ₱196.5 million, respectively (see Note 8). Allowance for impairment losses of receivables amounted to ₱13.4 million as at September 30, 2015 and 2014 (see Note 8).

*Determination of NRV of Real Estate for Sale and Development.* The NRV of real estate for sale and development are based on the most reliable evidence available at the time the estimates of the amount that the real estate for sale and development are expected to be realized and/or sold. These estimates consider the fluctuations of price or cost directly relating to events occurring after the end of the reporting year to the extent that such events confirm conditions at the end of the reporting year. A new assessment of NRV is made in each subsequent period. When the circumstances that previously caused real estate for sale and development to be written down below cost no longer exist or when there is a clear evidence of an increase in NRV because of change in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised NRV.

The real estate for sale and development that are carried at cost amounted to ₱508.6 million and ₱441.0 million as at September 30, 2015 and 2014, respectively (see Note 9). Allowance for impairment loss amounted to ₱2.3 million as at September 30, 2015 and 2014 (see Note 9).

*Estimation of Useful Lives of Property and Equipment.* The useful life of each of the Group's items of property and equipment is estimated based on the year over which the asset is expected to be available for use. Such estimation is based on a collective assessment of practices of similar businesses, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ

from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by the changes in the factors mentioned above. A change in the estimated useful life of any item of property and equipment would impact the recorded operating expense and noncurrent assets.

There was no change in the estimated useful lives of property and equipment in 2015 and 2014.

The carrying value of the depreciable property and equipment as at September 30, 2015 and 2014 amounted to ₱60.1 million and ₱4.4 million, respectively (see Note 12).

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

Investment properties, including land properties that are subjected to the Comprehensive Agrarian Reform Law (CARL) with total land area of approximately 2,300.6 hectares and total value of ₱4,046.0 million as at September 30, 2015 and 2014, respectively, are stated at fair value amounting to ₱4,495.4 million and ₱4,448.5 million as at September 30, 2015 and 2014, respectively (see Note 13).

The Parent Company filed a Petition for Certiorari with the Court of Appeals (CA) regarding the denial by the Department of Agrarian Reform (DAR) of its protest against the wrongful coverage of its land properties. As at the date of report, the protest is still pending before the CA (see Note 27).

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

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

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

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

	Note	2015	2014
Investments in associates and a joint venture	11	<b>₱2,470,307</b>	₱2,167,405
Property and equipment	12	<b>60,064</b>	4,444

There were no impairment indicators for the foregoing nonfinancial assets in 2015 and 2014. Accordingly, the Group has not recognized any impairment loss.

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

Retirement liability as at September 30, 2015 and 2014 amounted to ₱11.9 million and ₱6.7 million, respectively (see Note 17). Retirement benefits amounted to ₱5.2 million, ₱10.9 million and ₱41.2 million in 2015, 2014 and 2013, respectively (see Note 17).

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

The Group shall account for any legal and financial liabilities arising from the land properties subject to the CARL upon the resolution of ownership by the Court (see Note 27).

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

Deferred tax assets amounted to ₱18.1 million and ₱7.4 million as at September 30, 2015 and 2014, respectively (see Note 25).

Deferred tax assets were not recognized on deductible temporary differences and carryforward benefits of NOLCO and MCIT with income tax effect amounting to ₱46.2 million and ₱50.5 million as at September 30, 2015 and 2014, respectively (see Note 25). Management believes that it may not be probable that taxable profit will be sufficiently available in the future against which the deferred tax assets may be utilized.

## 6. Disposal of a Subsidiary

As discussed in Note 1, on November 29, 2013, the Parent Company sold its 31% equity interest in RHI to First Pacific for a total consideration of ₱2,220.4 million. The sale resulted to a gain amounting to ₱2,036.0 million. Subsequent to the sale, the remaining investment in RHI with fair value of ₱1,709.5 million was classified and accounted for as investment in an associate (see Note 11).

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

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

	Note	Amount
Cash and cash equivalents		₱170,472
Trade and other receivables		1,426,161
Inventories		1,240,020
Other current assets	10	785,267
Investment in an associate		614,268
Property, plant and equipment		10,577,770
Investment properties	13	191,837
Net deferred tax assets		30,082
Other noncurrent assets		15,818
Borrowings		(7,098,848)
Trade and other payables		(1,442,836)
Retirement liabilities	17	(196,676)
Net deferred tax liabilities		(690,654)
Revaluation increment on land		(1,216,115)
Share in revaluation increment on land of an associate	11	(207,492)
Effect of change in equity interest in subsidiaries		81,066
Other comprehensive loss	17	232,075
Retained earnings		(754,939)
Noncontrolling interests		(1,863,431)
Net assets		1,893,845
Total consideration		(2,220,388)
Remaining investment		(1,709,495)
Gain on disposal		₱2,036,038

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

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

	Note	2014 (Two Months)	2013 (One Year)
Sales	20	₱1,194,430	₱6,064,728
Cost of sales	21	(954,041)	(4,450,154)
Gross income		240,389	1,614,574
General and administrative expenses	22	(128,708)	(623,164)
Interest expense	15	(63,623)	(390,662)
Selling expenses	22	(5,687)	(40,361)
Interest income	7	44	2,386
Equity in net earnings of an associate		–	67,635
Other income - net	24	11,612	105,289
Income before income tax		54,027	735,697
Income tax expense	25	12,211	250,215
Net income		41,816	485,482
Remeasurement gain (loss) on retirement liability, net of deferred tax		458	(184,547)
Revaluation increment on land		–	–
<b>Total comprehensive income</b>		<b>₱42,274</b>	<b>₱300,935</b>
Net income attributable to:			
Parent Company		₱41,866	₱485,032
Noncontrolling Interest		(50)	450
		<b>₱41,816</b>	<b>₱485,482</b>
Total comprehensive income attributable to:			
Parent Company		₱42,324	₱300,482
Noncontrolling Interest		(50)	453
		<b>₱42,274</b>	<b>₱300,935</b>

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

	2014 (Two Months)	2013 (One Year)
Net cash provided by (used in):		
Operating activities	<b>(₱51,784)</b>	₱80,431
Investing activities	<b>217,295</b>	(95,498)
Financing activities	<b>(160,992)</b>	16,612
Net increase in cash and cash equivalents	<b>4,519</b>	1,545
Cash and cash equivalents at beginning of period	<b>165,953</b>	164,408
Cash and cash equivalents at end of period	<b>₱170,472</b>	₱165,953



## 7. Cash and Cash Equivalents

This account consists of:

	<b>2015</b>	2014
Cash on hand	<b>₱130</b>	₱256
Cash in banks	<b>180,745</b>	36,972
Cash equivalents	<b>2,425</b>	102,563
	<b>₱183,300</b>	₱139,791

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are made at varying periods of up to 90 days, depending on the immediate cash requirements of the Group. Cash equivalents earn interest ranging from 0.4% to 1% in 2015 and 2014.

Total interest income recognized in the consolidated statements of income follows:

	Note	<b>2015</b>	2014	2013
Continuing operations:				
Trade and other receivables	8	<b>₱7,624</b>	₱4,759	₱5,182
Due from related parties	19	<b>4,038</b>	3,841	-
Cash in banks and cash equivalents		<b>74</b>	671	309
		<b>11,736</b>	9,271	5,491
Discontinued operations:				
Cash in banks and cash equivalents		-	44	986
Trade and other receivables		-	-	1,400
		-	44	2,386
		<b>₱11,736</b>	₱9,315	₱7,877

## 8. Trade and Other Receivables

This account consists of:

	Note	<b>2015</b>	2014
Trade		<b>₱234,583</b>	₱133,410
Due from:			
Related parties	19	<b>75,306</b>	61,246
Supplier		<b>20,681</b>	-
Employees		<b>9,213</b>	1,225
Dividends	19	<b>4,624</b>	4,624
Others		<b>5,865</b>	9,427
		<b>350,272</b>	209,932
Allowance for impairment losses		<b>(13,403)</b>	(13,403)
		<b>₱336,869</b>	₱196,529

Breakdown as to current and noncurrent portion follows:

	<b>2015</b>	2014
Current	<b>₱304,079</b>	₱194,142
Noncurrent	<b>32,790</b>	2,387
	<b>₱336,869</b>	₱196,529

Trade receivables mainly represent customers' accounts arising from the sale of real estate properties and residential properties collectible in monthly installments over a period of 18 to 84 months and bear annual interest ranging from 14% to 18% depending on the terms of the sales contract.

Due from supplier pertains to advances made for services to be rendered, which are refundable upon noncompliance of the agreed terms.

Cash received from the sale of real estate properties and residential properties, which did not meet the revenue recognition criteria as set out in Note 4 are recognized as "Customers' deposits," which is presented as part of "Trade and other payables" account in the consolidated statements of financial position. Interest income amounted to ₱7.3 million, ₱4.8 million and ₱5.2 million in 2015, 2014 and 2013, respectively (see Note 7).

The aggregate future installment receivables, included as part of trade receivables, under the sales contracts for real estate business are as follows:

	<b>2015</b>	2014
Current	<b>₱154,272</b>	₱128,064
Noncurrent	<b>32,790</b>	2,387
	<b>₱187,062</b>	₱130,451

Due from employees pertains to the salary, housing and educational loans that are collected from the employees through salary deduction, and advances for business purposes subject to liquidation. The loans to employees are noninterest-bearing, except for certain housing loans of RHI extended in 2008 that was deconsolidated in 2014, which bear interest of 8.0% and are payable in 10 years. Interest income earned amounted to ₱0.3 million in 2013 (see Note 7).

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

In 2014, the Parent Company rediscounted the said security for a total consideration of ₱5.3 million. Interest expense incurred from discounting amounted to ₱0.9 million, which is included as part of "Interest expense" (see Note 15).

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

Movements of allowance for impairment losses of receivables follow:

	2015					Total
	Trade	Due from Related Parties				
Balance at beginning and end of year	<b>₱762</b>	<b>₱12,641</b>				<b>₱13,403</b>

	2014					Total
	Trade	Due from Related Parties	Due from Planters and Cane Haulers	Due from Employees	Others	
Balance at beginning of year	₱52,925	₱15,751	₱14,130	₱1,342	₱11,362	₱95,510
Effect of deconsolidation	(52,163)	(3,110)	(14,130)	(1,342)	(11,362)	(82,107)
Balance at end of year	<b>₱762</b>	<b>₱12,641</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱13,403</b>

## 9. Real Estate for Sale and Development

This account consists of:

	2015	2014
Raw land and land improvements - at cost	<b>₱470,454</b>	₱402,603
Real estate properties for sale - at NRV	<b>38,149</b>	38,409
	<b>₱508,603</b>	₱441,012

The cost of real estate properties, which were carried at NRV, amounted to ₱40.5 million and ₱40.7 million as at September 30, 2015 and 2014, respectively. Allowance for impairment loss amounted to ₱2.3 million as at September 30, 2015 and 2014.

Cost of sales from continuing operations pertain to cost of real estate sales amounting to ₱152.9 million, ₱105.4 million and ₱34.4 million in 2015, 2014 and 2013.

Borrowing costs incurred to finance the development of the Group's real estate projects amounting to ₱3.4 million, ₱3.4 million and ₱2.0 million in 2015, 2014 and 2013, respectively, were capitalized using a weighted average rate of 2.06% and 3.84% and 2015 and 2014, respectively (see Note 15).

In 2014, certain properties with carrying amount of ₱20.2 million were damaged due to typhoon for which a loss on real estate for sale and development amounting to ₱0.7 million was recognized (see Note 22). Also, the Company recognized provision for impairment loss on pre-development cost of a project amounting to ₱2.3 million in 2014 (see Note 22). No provision was recognized in 2015.

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

	2015	2014
Aggregate cash price values	<b>₱66,831</b>	₱71,088
Aggregate carrying costs	<b>(38,149)</b>	(38,409)
Excess of aggregate cash price values over aggregate carrying costs	<b>₱28,682</b>	₱32,679

Certain properties for sale and development owned by RLC amounting to ₱181.5 million as at September 30, 2015 and 2014 are being used as collateral for the loans availed by the Parent Company and RLC (see Note 15).

## 10. Other Current Assets

This account consists of:

	2015	2014
Creditable withholding taxes, net	₱51,325	₱49,838
Input VAT	12,734	6,154
AFS financial assets, net	7,534	7,534
Prepaid expenses	6,906	1,054
Others	2,253	5,427
	<b>₱80,752</b>	<b>₱70,007</b>

Input VAT mainly arises from construction and purchases of goods and services for operations.

AFS financial assets of the Parent Company amounting to ₱0.7 million was fully provided with an allowance in 2014.

Prepaid expenses pertain to advances made for rent, insurance, taxes and to suppliers.

No provision for impairment losses was recognized in 2015 and 2014. As at September 30, 2015 and 2014, allowance for impairment loss on creditable withholding taxes and AFS financial assets amounted to ₱5.6 million.

Certain other current assets amounting to ₱785.3 million including creditable withholding taxes and the related allowance for impairment loss amounting to ₱13.6 million were derecognized in 2014 as a result of deconsolidation of RHI (see Note 6).

## 11. Investments in Associates and a Joint Venture

Movements in this account follow:

	Note	2015	2014
<b>Associates</b>			
Acquisition cost			
Balance at beginning of year		₱1,889,724	₱308,162
Additions		266,235	-
Gain on deemed disposal of RHI		84,774	-
Remaining investment in RHI	6	-	1,709,495
Effect of deconsolidation of RHI	6	-	(127,933)
Balance at end of year		<b>2,240,733</b>	1,889,724

(Forward)

	Note	2015	2014
Cumulative equity in net earnings:			
Balance at beginning of year		<b>₱190,886</b>	₱310,989
Dividends received		<b>(81,581)</b>	(38,201)
Equity in net earnings		<b>5,743</b>	196,941
Effect of deconsolidation of RHI	6	–	(278,843)
Balance at end of year		<b>115,048</b>	190,886
Unrealized loss on transfer of land		<b>(59,030)</b>	(59,030)
Other comprehensive income			
Balance at beginning of year		<b>6,046</b>	212,671
Share in remeasurement gain (loss) on retirement liability		<b>(5,349)</b>	917
Share in unrealized loss on AFS financial assets of an associate		–	(50)
Effect of deconsolidation	6	–	(207,492)
Balance at end of year		<b>697</b>	6,046
		<b>2,297,448</b>	2,027,626
Allowance for impairment losses		<b>(15,233)</b>	(15,233)
		<b>2,282,215</b>	2,012,393
<b>Joint Venture</b>			
Balance at beginning of year		<b>155,012</b>	–
Additions		<b>35,000</b>	155,000
Equity in net earnings (losses)		<b>(1,920)</b>	12
Balance at end of year		<b>188,092</b>	155,012
		<b>₱2,470,307</b>	₱2,167,405

The following are the associates of the Group:

	Percentage of Ownership		Line of Business
	2015	2014	
Roxaco-ACM Development Corporation (RADDC)	<b>50.00</b>	50.00*	Real estate
RHI and subsidiaries	<b>31.00</b>	35.00	Production and selling of sugar and related products
Fuego Land Corporation (FLC)	<b>30.00</b>	30.00*	Real estate
Fuego Development Corporation (FDC)	<b>30.00</b>	30.00*	Real estate
Club Punta Fuego, Inc. (CPFI)	<b>25.00</b>	25.00*	Social recreational and athletic activities

\* Effective ownership through RLC.

The following are the subsidiaries of RHI:

	Percentage of Ownership		Line of Business
	2015	2014	
Central Azucarera Don Pedro, Inc. (CADPI) <sup>(1)</sup>	<b>100.00%</b>	100.00%	Manufacturing and selling of sugar
Central Azucarera de la Carlota, Inc. (CACI)	<b>100.00%</b>	100.00%	Manufacturing and selling of sugar
CADP Insurance Agency, Inc. (CIAI)	<b>100.00%</b>	100.00%	Insurance agency
Roxol Bioenergy Corp. (RBC) <sup>(1)</sup>	<b>100.00%</b>	100.00%	Production and selling of bioethanol fuel

(Forward)

	Percentage of Ownership		Line of Business
	2015	2014	
CADP Port Services, Inc. (CPSI)	<b>100.00%</b>	100.00%	Providing ancillary services
RHI Agri-Business Development Corporation (RABDC) <sup>(2)</sup>	<b>100.00%</b>	–	Agricultural business
Roxas Pacific Bioenergy Corporation (RPBC) <sup>(2)</sup>	<b>100.00%</b>	–	Holding company for bioethanol investments
RHI Pacific Commercial Corp. (RHIPCC) <sup>(2)</sup>	<b>100.00%</b>	–	Selling arm
San Carlos Bioenergy, Inc. (SCBI) <sup>(3)</sup>	<b>93.68%</b>	–	Production and selling of bioethanol fuel
NAVI	<b>77.38%</b>	77.38%	Agricultural and industrial development
Roxas Power Corporation (RPC)	<b>50.00%</b>	50.00%	Sale of electricity

<sup>(1)</sup> Direct ownership of 20.53% and indirect ownership through CADPI of 79.47%

<sup>(2)</sup> Newly incorporated wholly owned subsidiaries in 2015.

<sup>(3)</sup> In April 2015, the Group entered into a Sale and Purchase Agreement and acquired 93.69% indirect interest in SCBI through RPBC

The carrying amount of investments in associates and a joint venture are as follow:

	2015	2014
<b>Associates</b>		
RHI and subsidiaries	<b>₱2,142,583</b>	₱1,872,760
FLC	<b>97,804</b>	97,804
CPFI	<b>18,460</b>	18,460
FDC	<b>14,942</b>	14,942
RADC	<b>8,427</b>	8,427
<b>Joint Venture</b>		
Roxaco Vanguard Hotel Corporation (RVHC)	<b>188,091</b>	155,012
	<b>₱2,470,307</b>	₱2,167,405

#### Associates

As discussed in Note 6, the remaining 35% investment in RHI amounting to ₱1,023.0 million is classified and accounted for as an investment in an associate beginning November 29, 2013.

On October 1, 2014, the Parent Company bought 5.0 million shares of stock of RHI for ₱34.5 million increasing its equity interest to 36%.

On February 27, 2015, the equity interest of the Parent Company in RHI was further diluted from 36% to 28% as a result of the issuance by RHI of 241.8 million treasury shares at ₱7.00 a share amounting to ₱1,692.6 million to First Agri Holdings Corporation, a subsidiary of First Pacific (see Note 1). As a result, the Parent Company recognized a dilution gain on deemed disposal amounting to ₱84.8 million in 2015. Also, on the same date, the Parent Company purchased 33.1 million shares of RHI from various stockholders for a total purchase price of ₱231.8 million. As at September 30, 2015, the Parent Company has 31% equity interest in RHI (see Note 1).

Shares of stock of RHI totaling 99.6 million are used as security for long-term loan of the Parent Company amounting to ₱127.5 million and ₱150.0 million as at September 30, 2015 and 2014, respectively (see Note 15).

Investments in CPFI, RADC and FLC amounting to ₱7.9 million, ₱3.7 million and ₱3.7 million were fully provided with allowance for impairment loss as at September 30, 2015 and 2014.

### Joint Venture

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

On May 15, 2014, the SEC approved RVHC's increase in authorized capital stock from ₱4.0 million or 40,000 common shares to 800.0 million common shares with a reduction of par value from ₱100.0 to ₱1.0 and additional 200.0 million preferred shares at ₱0.01 par value a share aggregating ₱802.0 million. Share in net earnings amounted to ₱1.9 million as its share in net loss in RVHC in 2015.

In 2015 and 2014, RVHC is in the construction stage. Total cost to complete the Projects amounted to ₱1,115.3 million. As at September 30, 2015 and 2014, total costs incurred on the Projects amounted to ₱1,302.0 million and ₱373.3 million, respectively.

The accumulated equity in net earnings of associates and a joint venture amounting to ₱115.0 million and ₱190.9 million as at September 30, 2015 and 2014, respectively, is not available for dividend distribution to shareholders, unless received as cash dividends from the associates.

Summarized financial information of associates and a joint venture are as follows:

	Associates		Joint Venture	
	2015	2014	2015	2014
Current assets	<b>₱3,765,822</b>	₱4,235,197	<b>₱322,994</b>	₱131,820
Noncurrent assets	<b>17,954,317</b>	11,555,940	<b>988,276</b>	385,766
Current liabilities	<b>6,723,188</b>	2,273,464	<b>28,497</b>	207,500
Noncurrent liabilities	<b>5,641,112</b>	7,633,865	<b>908,189</b>	2,564
Net assets	<b>9,355,839</b>	5,883,808	<b>374,584</b>	307,522
Revenue	<b>8,397,860</b>	1,136,139	-	25
Net income (loss)	<b>25,434</b>	21,667	<b>(3,841)</b>	24

## 12. Property and Equipment

Details and movements of this account follows:

	2015						Total
	Land	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Office Furniture, Fixtures and Equipment	Construction in Progress	
<b>Cost</b>							
Balance at beginning of year	₱12	₱10,345	₱2,423	₱9,258	₱13,916	₱-	₱35,954
Additions	-	3,239	-	1,943	1,600	51,309	58,091
Disposal	-	-	(2,423)	-	-	-	(2,423)
Balance at end of year	<b>12</b>	<b>13,584</b>	<b>-</b>	<b>11,201</b>	<b>15,516</b>	<b>51,309</b>	<b>91,622</b>
<b>Accumulated Depreciation and Amortization</b>							
Balance at beginning of year	-	8,907	2,423	7,215	12,965	-	31,510
Depreciation and amortization	-	805	-	987	679	-	2,471
Disposal	-	-	(2,423)	-	-	-	(2,423)
Balance at end of year	-	<b>9,712</b>	<b>-</b>	<b>8,202</b>	<b>13,644</b>	-	<b>31,558</b>
<b>Net Book Value</b>	<b>₱12</b>	<b>₱3,872</b>	<b>₱-</b>	<b>₱2,999</b>	<b>₱1,872</b>	<b>₱51,309</b>	<b>₱60,064</b>

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

Construction in progress mainly pertains to the sales office of RLC's projects in Batangas and the construction of RCPC's building in 2015.

Certain land of RHI carried at revalued amount amounting to ₱2.8 million and regular plant improvements and rehabilitation of milling equipment of RHI's subsidiaries were deconsolidated in 2014.

No capitalized borrowing cost was recognized on property and equipment in 2015 and 2014. Unamortized capitalized borrowing cost of RHI's subsidiaries as at September 30, 2013 amounting to ₱483.8 million with corresponding deferred tax liability of ₱145.1 million were deconsolidated in 2014.

The depreciation and amortization are allocated as follows:

	Note	2015	2014	2013
Cost of goods sold	21	₱-	₱105,102	₱627,555
General and administrative expenses	22	2,471	9,062	57,185
		<b>₱2,471</b>	<b>₱114,164</b>	<b>₱684,740</b>

In 2015, a fully depreciated machinery and equipment was sold at a gain amounting to ₱3.5 million (see Note 24).

As at September 30, 2015 and 2014, fully depreciated property and equipment with an aggregate cost of ₱16.3 million and ₱19.2 million, respectively, are still being used in the operations.

As at September 30, 2015 and 2014, certain assets were mortgaged and used as collateral to secure the loan obligations of the Parent Company with the local banks (see Note 15).

### 13. Investment Properties

This account consists of:

	2015	2014
Land properties	₱4,495,444	₱4,440,125
Building	-	8,419
	<b>₱4,495,444</b>	<b>₱4,448,544</b>



Movements on investment properties are as follows:

	Note	2015	2014
Balance at beginning of year		<b>₱4,448,544</b>	₱4,624,331
Unrealized fair value gain		<b>55,319</b>	16,050
Reclassification		<b>(8,419)</b>	–
Effect of deconsolidation of RHI	6	–	(191,837)
Balance at end of year		<b>₱4,495,444</b>	₱4,448,544

#### The Parent Company

This account consists of land properties located in Nasugbu, Batangas, which are held either to earn rentals and/or for capital appreciation.

The total carrying amount of the Parent Company's investment properties includes land properties that are subjected to the CARL with total land area of 2,300.6 hectares and total value of ₱4,095.7 million and ₱4,046.0 million as at September 30, 2015 and 2014, respectively (see Note 27).

As at September 30, 2015 and 2014, the fair value of investment properties, including land properties subjected to the CARL, are based on the appraised values of the properties as at November 23, 2015 and October 27, 2014, respectively, as determined by a professionally qualified independent appraiser. The fair value measurement for investment properties has been categorized under Level 2, which was determined by using the Sales Comparison Approach. Such approach is a comparative approach that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison.

The SEC, in its letter dated January 26, 2011 to the Parent Company, approved the change in the accounting measurement of investment properties of the Parent Company, including land properties subjected to the CARL, from cost to fair value method and the transfer of the debit balance in the "Other equity reserve" to deficit. The debit balance in the "Other equity reserve" amounting to ₱4.0 billion in 2009 resulted from the excess of the considerations received over the net assets acquired arising from the merger of CADPGC and Roxas & Company, Inc. (see Note 18). The SEC approved the foregoing accounting treatment on the basis of the facts and circumstances provided by the Parent Company.

On December 20, 2013, the Parent Company leased certain investment properties to a third party for a period of three cropyears. Rent income recognized amounted to ₱0.9 million in 2015 and 2014 (see Notes 24 and 27).

Investment properties with carrying value of ₱6.8 million as at September 30, 2015 and 2014 are used as collateral for the long-term borrowings (see Note 15).

#### RLC

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

In 2015, RLC has reclassified the carrying value of its investment property amounting to ₱8.4 million to real estate held for sale (see Note 9).

RLC recognized unrealized loss on fair value adjustment amounting to ₱0.2 million in 2013.

Rent income from this investment property amounted to ₱0.2 million and ₱0.7 million in 2015 and 2014, respectively (see Note 24).

#### 14. Short-term Borrowings

This account represents unsecured short-term loans obtained from various local banks for its working capital requirements. These short-term borrowings are payable within 360 days in 2015 and 30 days to 180 days in 2014 and bear annual interest ranging from 2.75% to 3.50% in 2015 and 3.0% to 6.5% in 2014.

Interest expense arising from short-term borrowings amounted to ₱4.0 million, ₱11.6 million and ₱61.2 million in 2015, 2014 and 2013, respectively (see Note 15).

#### 15. Long-term Borrowings

Long-term borrowings consist of loans from:

	2015	2014
Parent Company - Bank of the Philippine Islands (BPI)	₱127,500	₱150,000
RLC - Banco de Oro Unibank, Inc. (BDO)	74,845	108,975
	<b>202,345</b>	258,975
Current portion	<b>(63,829)</b>	(56,429)
Noncurrent portion	<b>₱138,516</b>	₱202,546

##### Loan of the Parent Company

The bank loan is classified as follows:

	2015	2014
Current portion	₱30,000	₱22,500
Noncurrent portion	97,500	127,500
	<b>₱127,500</b>	₱150,000

On September 20, 2012, the Parent Company obtained a short-term loan from BPI amounting to ₱400.0 million, which bore interest at prevailing market rate (initially at 4.50%) with a maturity period of 30 days.

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

As at September 30, 2015 and 2014, the said loan is secured by real estate mortgages and pledge over shares of stock owned by the Parent Company as follows:

	Note	2015	2014
Shares of stock of RHI (99.6 million shares)	11	<b>₱322,265</b>	₱322,265
Real estate for sale and development of RLC	9	<b>178,821</b>	178,821
Investment properties	13	<b>6,838</b>	6,838
Property and equipment	12	<b>78</b>	224
		<b>₱508,002</b>	<b>₱508,148</b>

#### Loan of RLC

The bank loan is classified as follows:

	2015	2014
Current portion	<b>₱33,829</b>	₱33,929
Noncurrent portion	<b>41,016</b>	75,046
	<b>₱74,845</b>	<b>₱108,975</b>

In 2013, RLC obtained a new term loan facility from BDO amounting to 130.0 million. The loan facility was released on a staggered basis from November 2012 to April 2013. The loan bears fixed interest of 4.25%, for the first 45 to 92 days and being repriced every 30 to 180 days. Principal amount is payable quarterly after the one year grace period for five years until 2018.

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

The loan facility is secured by RLC's real estate for sale and development amounting to ₱2.7 million as at September 30, 2015 and 2014 (see Note 9).

#### *Suretyship Agreements and Mortgage Trust Indenture*

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

*Interest Expense*

Total interest expense incurred, net of capitalized borrowing costs related to real estate projects of RLC amounting to ₱3.4 million, ₱3.4 million and ₱2.0 million in 2015, 2014 and 2013 (see Note 9), are as follows:

	Note	2015	2014	2013
<b>Continuing Operations:</b>				
Long-term loans		<b>₱13,899</b>	₱14,262	₱24,872
Short-term loans	14	<b>3,972</b>	310	884
Receivable from LBP	8	–	900	–
		<b>17,871</b>	15,472	25,756
<b>Discontinued Operations:</b>				
Long-term loans		–	52,324	330,346
Short-term loans	14	–	11,299	60,316
		–	63,623	390,662
		<b>₱17,871</b>	<b>₱79,095</b>	<b>₱416,418</b>

*Loan Covenants*

The long-term loan of the Parent Company is subject to certain covenants, such as but not limited to:

- maintenance of debt service coverage ratio (DSCR) of at least 1:1 and debt to equity ratio of not more than 0.75:1.00;
- prohibition on sale, lease, transfer, or otherwise disposal of any of its properties and assets, or its existing investments therein;
- prohibition on any material change in ownership or control of its business or capital stock or in the composition of its top level management and;
- prohibition on declaration or payment of dividends or any other capital or other asset distribution to its stockholders.

As at September 30, 2015 and 2014, the Group is in compliance with the foregoing loan covenants, particularly on the required financial ratio.

In November 2013, the Group obtained from creditor banks a letter consenting on the disposal of the Parent Company's 31% equity interest in RHI in favor of First Pacific (see Note 6).

*Maturities*

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

	2015	2014
Less than one year	<b>₱35,501</b>	₱22,500
Between one and two years	<b>94,129</b>	172,725
Between two and five years	<b>72,715</b>	63,750
	<b>₱202,345</b>	<b>₱258,975</b>

## 16. Trade and Other Payables

This account consists of:

	Note	2015	2014
Trade		<b>₱62,221</b>	₱61,689
Due to related parties	19	<b>48,030</b>	54,479
Deferred income		<b>21,418</b>	16,278
Accrued expenses:			
Payroll and other benefits		<b>9,972</b>	22,266
Interest		<b>2,988</b>	1,515
Outside services		<b>1,961</b>	864
Others		<b>4,124</b>	3,654
Customers' deposits		<b>15,201</b>	12,898
Payable to government agencies for taxes and statutory contributions		<b>14,405</b>	982
Retention payable		<b>14,176</b>	–
Dividends	18	<b>5,527</b>	5,298
Others		<b>15,657</b>	1,548
		<b>₱215,680</b>	₱181,471

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

Deferred income pertains to collections from buyers exceeding the recognized sale of real estate based on percentage-of-completion.

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

Details of customers' deposits follow:

	2015	2014
Real estate properties	<b>₱15,201</b>	₱12,799
Others	–	99
	<b>₱15,201</b>	₱12,898

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

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

Retention payable pertains to amounts withheld on payments made to contractors equivalent to 10% of the amount billed. The amounts withheld will be remitted to the contractors upon successful completion of the related projects and acceptance by the Company.

## 17. Retirement Benefits

The Parent Company and RLC maintain individual and separate funded non-contributory defined benefit plans covering all eligible employees.

### Retirement Benefits

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

	2015	2014	2013
Current service cost	<b>₱4,867</b>	₱8,882	₱32,142
Interest cost	<b>374</b>	2,028	2,871
Adjustment due to curtailment	-	-	6,218
	<b>₱5,241</b>	₱10,910	₱41,231

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

		2014	
	Note	Cumulative Loss	Deferred Tax (see Note 25)
			Net
Balance as at September 30, 2013		(₱328,994)	₱98,698
Remeasurement gains		1,924	(577)
Effect of deconsolidation	6	331,535	(99,460)
Balance as at September 30, 2014 and 2015		₱4,465	(₱1,339)

### Retirement Liability

Retirement liability recognized in the consolidated statements of financial position follows:

	2015	2014
Present value of obligation	<b>₱22,635</b>	₱16,967
Fair value of plan assets	<b>(10,766)</b>	(10,238)
Retirement liability	<b>₱11,869</b>	₱6,729

Movements in the defined benefit obligation follow:

	Note	2015	2014
Balance at beginning of year		<b>₱16,967</b>	₱529,865
Current service cost		<b>4,867</b>	8,882
Interest cost		<b>801</b>	4,642
Benefits paid		-	(2,950)
Actuarial gain		-	(4,749)
Effect of deconsolidation of RHI	6	-	(518,723)
Balance at end of year		<b>₱22,635</b>	₱16,967

Movements in the fair value of plan assets follow:

	Note	2015	2014
Balance at beginning of year		<b>₱10,238</b>	₱298,033
Actual return on plan assets		<b>427</b>	758
Contributions		<b>101</b>	1,074
Benefits paid		-	(2,950)
Actuarial loss		-	35,370
Effect of deconsolidation	6	-	(322,047)
Balance at end of year		<b>₱10,766</b>	₱10,238

Plan assets of the Parent Company and RLC as at September 30, 2015 and 2014 consist of:

	2015	2014
Cash and cash equivalents	<b>99%</b>	100%
Receivables	<b>1%</b>	-
	<b>100%</b>	100%

The Parent Company and RLC are expected to contribute a total of ₱1.0 million to its respective funds for fiscal year ending September 30, 2016.

The principal actuarial assumptions used in determining retirement benefits and gratuities cost as at beginning of each year follows:

	2015	2014
Discount rate	<b>4.70% to 4.85%</b>	3.84% to 3.89%
Future salary increases	<b>5.00%</b>	5.00% to 6.00%

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

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

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

Weighted average duration of the defined benefit liability is 15 years.

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

## 18. Equity

### a. Capital Stock

	2015		2014	
	Number of Shares	Amount	Number of Shares	Amount
"Class A" Common stock - ₱1 par value				
Authorized	3,375,000	₱3,375,000	3,375,000	₱3,375,000
Issued -				
Balance at beginning and end of year	2,911,886	₱2,911,886	2,911,886	₱2,911,886
Treasury stock:				
Balance at beginning of year	(990,385)	(1,683,654)	-	-
Issuances	50,000	85,000	(990,385)	(1,683,654)
Balance at end of year	(940,385)	(1,598,654)	(990,385)	(1,683,654)
Issued and outstanding	1,971,501	₱1,313,232	1,921,501	₱1,228,232

On December 3, 2013, RCI implemented the buyback of 990,384,775 shares from four of its stockholders at the price of ₱1.70 a share in a private sale, amounting to ₱1,683.7 million and representing 34% of the issued and outstanding capital stock of RCI. The BOD approved the plan to buy back shares on November 13, 2013.

Consequently, the BOD approved the appropriation of a portion of retained earnings amounting to ₱1,683.7 million for the cost of treasury shares acquired.

On May 18, 2015, the Company has issued 50.0 million treasury shares for ₱2.00 a share aggregating ₱100.0 million, resulting to an increase in additional paid-in capital amounting to ₱15.0 million.

### b. Other equity reserves

Details of other equity reserves follow:

	Note	2015	2014	2013
<b>Revaluation Increment on Land</b>				
Balance at beginning of year		₱280,091	₱1,496,206	₱1,496,206
Effect of deconsolidation	6	-	(1,216,115)	-
Balance at end of year		280,091	280,091	1,496,206
<b>Cumulative Remeasurement Gain (Loss) on Retirement Liability</b>	17			
Balance at beginning of year		3,126	(230,296)	(108,727)
Effect of deconsolidation	6	-	232,075	-
Remeasurement gain (loss)		-	1,347	(121,569)
Balance at end of year		3,126	3,126	(230,296)
<b>Share in Changes in Fair Value of AFS financial assets of an Associate</b>	11			
Balance at beginning of year		5,129	5,179	5,179
Share in unrealized loss on available-for-sale financial assets		-	(50)	-
Balance at end of year		5,129	5,129	5,179

(Forward)



	Note	2015	2014	2013
<b>Share in Revaluation Increment on Land of an Associate</b>				
Balance at beginning of year	11	₱-	₱136,322	₱136,322
Effect of deconsolidation	6	-	(136,322)	-
Balance at end of year		-	-	136,322
<b>Effect of Change in Equity Interest in Subsidiaries</b>				
Balance at beginning of year		-	(81,066)	(81,066)
Effect of deconsolidation	6	-	81,066	-
Balance at end of year		-	-	(81,066)
<b>Cumulative Share in Remeasurement Gain (Loss) on Retirement Liability of Associates</b>				
Balance at beginning of year	11	917	-	-
Share in remeasurement gain (loss)		(5,349)	917	-
Balance at end of year		(4,432)	917	-
		<b>₱283,914</b>	<b>₱289,263</b>	<b>₱1,326,345</b>

Restructuring on equity and revaluation increment on land

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

On December 1, 2002, RHI exchanged its shareholdings in CADPI, CADPI Consultancy Services, Inc. (CCSI) and CADPI Farm Services, Inc. (CFSI) for ₱1.3 billion of common shares of CADP Group Corporation (CADPGC) with a par value of ₱1 a share for ₱2.0 billion, the cost of investments of RHI immediately before transfer. CADPGC recognized a premium of ₱596.8 million and share in revaluation increment in property of subsidiary amounting to ₱150.6 million. Consequently, RHI's equity interest in CADPGC increased and CADPI, CCSI and CFSI became wholly owned subsidiaries of CADPGC. CCSI and CFSI were subsequently merged with CADPI, as the surviving entity, in 2014.

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

CADPGC and Roxas & Company, Inc. have undertaken a merger effective June 29, 2009, with CADPGC, as the surviving entity. On the same date, the SEC approved the change in corporate name of CADPGC to Roxas and Company, Inc. The transaction was accounted for under pooling of interest and as such, comparative balances were presented as if the combining entities have always been combined. As a result, the investment of Roxas & Company, Inc. in CADPGC amounting to ₱119.0 million in 2008 prior to the merger was accounted for as treasury stock and revaluation increment on land of CADPGC increased to

₱280.0 million from ₱150.6 million. Further, the excess between the consideration received and equity acquired arising from the merger was recognized by the combined entities as a component of equity under “Other equity reserve,” which amounted to ₱4.0 billion in 2009.

In fiscal year ended June 30, 2011, the Group opted to transfer the debit balance in the “Other equity reserve” arising from the merger between CADPGC and Roxas & Company, Inc. as discussed in the preceding paragraph, to deficit. Management believes that such transfer of the debit balance in the “Other equity reserve” arising from the merger will result to a more useful and relevant financial statements. The transfer of the debit balance in the “Other equity reserve,” consequently, resulted to retained earnings as at June 30, 2011. In January 2011, the SEC had concurred with the adjustments made by the Parent Company (see Note 13).

c. 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

d. Retained Earnings

Details of retained earnings follow:

	Note	2015	2014	2013
<b>Appropriated/Restricted</b>				
Balance at beginning of year		₱2,170,274	₱486,620	₱486,620
Appropriation (reversal of appropriation) for treasury stock		(85,000)	1,683,654	–
Balance at end of year		₱2,085,274	₱2,170,274	₱486,620
<b>Unappropriated</b>				
Balance at beginning of year		₱1,639,432	₱1,841,570	₱1,576,287
Net income		135,157	2,274,885	265,283
Reversal of appropriation		85,000	–	–
Cash dividends		(38,430)	(38,430)	–
Appropriation for the acquisition of treasury stock		–	(1,683,654)	–
Effect of deconsolidation	6	–	(754,939)	–
Balance at end of year		1,821,159	1,639,432	1,841,570
		₱3,906,433	₱3,809,706	₱2,328,190

*Restricted and/or Appropriated Retained Earnings*

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

	Note	2015	2014	2013
Appropriation for treasury stock		<b>₱1,598,654</b>	₱1,683,654	₱-
Net unrealized fair value gains on investment properties included in the retained earnings	13	<b>283,545</b>	283,545	283,545
Application of revaluation increment against deficit		<b>203,075</b>	203,075	203,075
		<b>₱2,085,274</b>	₱2,170,274	₱486,620

On November 13, 2014, the Parent Company appropriated a portion of its retained earnings amounting to ₱1,684.0 million for the cost of treasury shares acquired. In 2015, the Parent Company issued 50 million treasury shares and reversed the related appropriation amounting to ₱85.0 million.

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

For purposes of dividend declaration, the retained earnings of the Parent Company should 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" (see Note 13).

*Dividend Declaration*

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

Date Approved	Per Share	Total Amount	Stockholders of Record Date	Date Payable
December 12, 2014	₱0.02	₱38,430,022	January 15, 2015	January 30, 2015

Dividends payable amounted to ₱5.5 million and ₱5.3 million as at September 30, 2015 and 2014, respectively (see Note 16).

e. 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 2014 through September 2015		
First	₱2.80	₱2.80
Second	2.95	2.57
Third	2.89	1.70
Fourth	2.80	1.57

Quarter	High	Low
October 2013 through September 2014		
First	₱5.35	₱4.83
Second	3.38	3.37
Third	2.81	2.80
Fourth	2.99	2.98
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

## 19. Related Party Transactions and Balances

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

Related Party	Nature of Transaction	Year	Transactions during the Year	Trade and Other Receivables (see Note 8)	Net Amount Due to Related Parties (see Note 16)
<b>Associates</b>					
FDC	Noninterest-bearing advances	2015	₱-	₱40,362	₱2,388
		2014	2,238	40,362	2,388
	Noninterest-bearing advances	2015	-	-	10,822
		2014	-	-	10,822
RADC	Noninterest-bearing advances	2015	-	-	10,966
		2014	-	-	10,966
CACI	Interest income on advances	2015	4,038	-	-
		2014	3,841	-	-
<b>Joint Venture Partners</b>					
VJPI	Noninterest-bearing advances	2015	5,377	6,459	-
		2014	-	7,552	1,906
Marilo Realty Development Corporation	Noninterest-bearing advances	2015	12,701	13,373	-
		2014	2,102	581	3,000
LPC	Defrayment of cost and expenses for restructuring	2015	1,903	3,112	21,985
		2014	-	3,112	23,850
Others	Noninterest-bearing advances	2015	12,000	12,000	1,869
		2014	19,088	9,639	1,547
	2015		₱75,306	₱48,030	
	2014		61,246	54,479	
<b>Associate</b>					
FLC	Dividends receivable	2015	₱-	₱4,624	₱-
		2014	-	4,624	-

In the normal course of business, the Parent Company extends/avails of advances to/from its related parties, with no definite repayment terms. The advances to and from related parties are noninterest-bearing, except for short-term loan to CACI, which bears interest at 3% and interest-bearing advances to FDC, which bear interest at 10%. Interest income recognized amounted to ₱4.0 million and ₱3.8 million in 2015 and 2014, respectively (see Note 7).

In 2004, RLC and LPC by way of a Deed of Assignment of Rights, assigned to Punta Fuego Holdings Corporation (PFHC) the rights and privileges to their 105 and 245 club shares in CPFI, respectively. In consideration of the assignment of rights and privileges, PFHC pays RLC and LPC an amount equivalent to 85% of the net income earned from the club shares to be remitted on or before May 5 of each year beginning 2005. The respective shares of RLC and LPC were computed in proportion to the number of club shares they have each assigned. In 2005, PFHC and FDC merged with FDC, as the surviving entity. As a result, FDC assumed the said liability of PFHC to RLC. As at September 30, 2015, RLC is still in negotiation with FDC for the allocation of the actual number of shares assigned. RLC did not recognize assignment fee in 2015 and 2014.

Outstanding balances at yearend are unsecured and settlement normally occurs in cash, unless otherwise indicated above. No guarantees have been provided or received for these balances. Advances to and from related parties are noninterest-bearing and have no fixed repayment terms unless otherwise indicated above. Impairment review is undertaken each financial year. As at September 30, 2015 and 2014, allowance for impairment loss amounting to ₱3.1 million pertains to due from LPC.

Compensation of key management personnel is as follows:

	2015	2014	2013
<b>Continuing Operations</b>			
Salaries and short-term benefits	₱17,316	₱12,720	₱4,412
Retirement benefits	3,840	1,413	490
	<b>21,156</b>	14,133	4,902
<b>Discontinued Operations</b>			
Salaries and short-term benefits	-	45,175	55,484
Retirement benefits	-	5,019	5,943
	-	50,194	61,427
	<b>₱21,156</b>	₱64,327	₱66,329

#### *Directors' Remuneration*

On May 14, 2013, the BOD of the Parent Company approved the increase in the directors' remuneration, payable in cash and shares of stock of the Parent Company.

On May 14, 2015, the BOD of the Parent Company approved to settle the directors' remuneration for the period August 13, 2013 to February 20, 2015 in cash, equivalent to the market value of the shares, which is the closing price of shares on the last trading day immediately preceding the board meeting. Details are as follows:

Date of Meeting	Number of Shares	Market Value	
		a Share	Amount
May 14, 2015	90,674	₱1.9	₱175,000
August 20, 2015	68,681	1.8	125,000

The expense recognized on the foregoing amounted to ₱1.1 million and ₱908,210 in 2015 and 2014, respectively, presented as part of "Salaries and employee benefits" account in the consolidated statements of comprehensive income.

In December 2015, the Parent Company settled the outstanding liability through issuance of 121,452 treasury shares amounting to ₱300,000.

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## 20. Sale

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

	2014	2013
Sale of:		
Refined sugar	₱587,102	₱3,728,423
Raw sugar	432,770	1,577,317
Alcohol	121,881	375,104
Molasses	52,677	363,763
Tolling fees	-	19,246
Others	-	875
	₱1,194,430	₱6,064,728

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## 21. Cost of Sales

Cost of goods sold from discontinued operations (see Note 6) consists of:

	Note	2014	2013
Cost of goods sold:			
Direct materials used		₱396,137	₱1,604,554
Cost of transporting cane to mill		138,361	848,113
Materials and consumables		106,653	233,984
Depreciation and amortization	12	105,102	627,555
Salaries, wages and other employee benefits	23	66,426	301,663
Repairs and maintenance		54,810	156,435
Fuel and oil		26,351	290,320
Taxes and licenses		19,818	77,827
Rent		13,417	60,713
Communication, light and water		8,767	77,875
Insurance		7,790	25,780
Outside services		-	120,833
Provision for inventory losses and obsolescence		-	12,114
Others		10,409	12,388
		₱954,041	₱4,450,154

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## 22. Operating Expenses

Operating expenses consist of general and administrative expenses and selling expenses.

General and administrative expenses

General and administrative expenses from continuing operations consist of:

	Note	2015	2014	2013
Salaries, wages and other employee benefits	23	<b>₱48,240</b>	₱34,056	₱40,866
Outside services		<b>10,255</b>	16,369	13,157
Taxes and licenses		<b>10,186</b>	3,263	9,615
Communication, light and water		<b>5,492</b>	3,163	3,842
Depreciation and amortization	12	<b>2,471</b>	2,365	2,491
Representation and entertainment		<b>2,295</b>	2,907	3,762
Travel and transportation		<b>2,170</b>	1,597	1,716
Repairs and maintenance		<b>2,165</b>	3,314	1,773
Materials and consumables		<b>825</b>	607	3,066
Corporate social responsibility		<b>350</b>	179	60
Provision for impairment of pre-development cost	9	–	2,323	–
Loss on insurance claims	9	–	715	–
Provision for impairment loss on AFS financial asset	10	–	688	–
Insurance		–	151	202
Others		<b>7,150</b>	9,068	8,547
		<b>₱91,599</b>	₱80,765	₱89,097

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

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

	Note	2014	2013
Salaries, wages and other employee benefits	23	₱54,524	₱193,762
Taxes and licenses		23,522	95,529
Depreciation and amortization	12	6,697	54,694
Transfer cost		4,651	–
Outside services		4,272	109,261
Materials and consumables		3,572	25,356
Training		2,947	–
Corporate social responsibility		2,836	11,043
Rent		2,737	22,511
Insurance		2,303	27,774
Communication, light and water		1,787	10,373
Research and Development		1,190	–
Travel and transportation		885	6,517
Repairs and maintenance		768	8,079
Provision for impairment losses on receivables		–	6,236
Representation and entertainment		–	1,953
Provision for inventory losses and obsolescence		–	1,430
Others		16,017	48,646
		<b>₱128,708</b>	₱623,164

Selling Expenses

Selling expenses from continuing and discontinued operations follow:

	Note	2015	2014	2013
Continuing operations		<b>₱26,616</b>	₱20,106	₱19,184
Discontinued operations:	6			
Sugar liens and monitoring fees		–	₱5,662	₱35,800
Advertising and shipping cost		–	25	4,561
		<b>₱–</b>	₱5,687	₱40,361

**23. Personnel Costs**

The components of employee benefits from continuing operations presented under “General and administrative expenses” account (see Note 22) in the consolidated statements of income are as follows:

	Note	2015	2014	2013
Salaries and wages		<b>₱21,939</b>	₱13,817	₱32,711
Allowances and other employee benefits		<b>21,060</b>	16,828	4,882
Retirement benefits	17	<b>5,241</b>	3,411	3,273
		<b>₱48,240</b>	₱34,056	₱40,866

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

	Note	2014	2013
Salaries and wages	21, 22	₱76,407	₱412,096
Allowances and other employee benefits	21, 22	37,044	45,371
Retirement benefits	17	7,499	37,958
		₱120,950	₱495,425

Employee benefits from discontinued operations are allocated as follows:

	Note	2014	2013
Cost of sales	21	₱66,426	₱301,663
General and administrative expenses	22	54,524	193,762
		₱120,950	₱495,425



## 24. Other Income (Charges)

Other income (charges) from continuing operations consists of:

	Note	2015	2014	2013
Management fees		<b>₱13,883</b>	₱13,161	₱23,878
Gain on disposal of property and equipment	12	<b>3,500</b>	-	-
Rent income		<b>1,114</b>	1,602	835
Interment income		<b>401</b>	246	326
Net foreign exchange gains (losses)		<b>(31)</b>	3	6
Income from performance bank guarantee		-	-	65,837
Others		<b>8,537</b>	5,041	(63,896)
		<b>₱27,404</b>	₱20,053	₱26,986

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

	Note	2014	2013
Net foreign exchange gains (losses)		₱50	(₱607)
Recovery from insurance claims		-	40,900
Sugar and molasses handling fees		-	22,940
Loss on property and equipment due to fire		-	(22,305)
Rent income		-	6,625
Income from performance bank guarantee		-	(3,003)
Sale of scrap		-	1,998
Others		11,562	58,741
		₱11,612	₱105,289

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

In September 2013, RBC received the proceeds from performance bank guarantee issued by a local bank in behalf of the plant contractor amounting to USD\$2.1 million (₱90.4 million). Of the total amount, ₱27.1 million was used to settle receivable from the plant contractor, while the remaining ₱65.8 million was recognized as other income.

## 25. Income Taxes

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

	2015	2014
	Net Deferred Tax Assets	Net Deferred Tax Assets
Deferred tax assets on:		
Cash advances from customers	₱11,070	₱1,767
Retirement liabilities	3,511	2,140
Allowance for:		
Impairment losses on investments in associates	1,213	1,213
Impairment losses of receivables	933	933
Inventory losses and obsolescence	697	697
Various accruals	634	634
Net unrealized foreign exchange loss	9	8
	<b>18,067</b>	7,392
Deferred tax liabilities on:		
Taxable temporary difference arising from use of installment method of revenue recognition for tax reporting	(5,525)	(2,482)
Prepaid commission	(83)	(118)
	<b>(5,608)</b>	(2,600)
Net deferred tax assets	<b>₱12,459</b>	₱4,792

Presentation of deferred tax expense (benefit) is as follows:

	2015	2014
Through profit or loss	₱7,666	₱1,436
Through other comprehensive income	-	(577)
	<b>₱7,666</b>	₱859

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

	2015	2014	2013
Income tax expense (benefit) at statutory rate	₱43,340	₱676,918	(₱15,805)
Adjustments resulting from:			
Expired NOLCO	13,537	3,283	-
Tax effects of:			
Gain on deemed disposal of an associate	(25,432)	-	-
Nontaxable gain on change in fair value of investment properties	(16,596)	(4,815)	-

(Forward)

	2015	2014	2013
Equity in net earnings of associates	<b>(P1,147)</b>	(P59,078)	(P20,408)
Interest income already subjected to final tax and dividend income exempt from tax	<b>(18)</b>	(80)	(621)
Nondeductible interest expense	<b>8</b>	63	216
Gain on disposal of a subsidiary	-	(610,811)	-
Deficiency taxes	-	-	13,177
Others	-	2,225	7,023
Changes in unrecognized deferred tax assets	<b>(4,343)</b>	1,270	17,463
<b>Income tax expense</b>	<b>P9,349</b>	<b>P8,975</b>	<b>P1,045</b>

The reconciliation between the income tax expense from discontinued operations (see Note 6) computed at the applicable statutory tax rate and income tax expense presented in the consolidated statement of income follows:

	2014	2013
Income tax expense at statutory tax rate	P16,208	P220,709
Tax effects of:		
Equity in net earnings of an associate	(2,502)	(20,291)
Interest subjected to final tax and dividend income exempt from tax	(13)	(460)
Nondeductible interest expense	5	167
Nondeductible deficiency taxes	-	13,208
Nondeductible unrealized gross profit on inventories	-	12,957
Nondeductible expenses	-	11,699
Adjustments resulting from:		
Application of MCIT	-	20,571
Expiration of excess MCIT	-	-
Others	(1,487)	(1,455)
Changes in unrecognized deferred tax assets	-	(6,890)
<b>Income tax expense</b>	<b>P12,211</b>	<b>P250,215</b>

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

	2015	2014
NOLCO	<b>P28,659</b>	P33,017
Allowance for impairment losses on:		
Investments in associates	<b>14,262</b>	14,262
Receivables	<b>2,813</b>	2,813
AFS financial assets	<b>206</b>	206
Excess MCIT	<b>214</b>	199
	<b>P46,154</b>	P50,497

Management believes that it may not be probable that taxable profit will be sufficiently available in the future against which the deferred tax assets may be utilized.

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

#### NOLCO

Year Incurred	Balance at Beginning of Year	Applied	Expired	Balance at the End of the Year	Tax Effect	Available Until
September 30, 2012	₱45,122	₱-	₱45,122	₱-	₱-	September 30, 2015
September 30, 2013	43,787	3,190	-	40,597	12,179	September 30, 2016
September 30, 2014	24,338	-	-	24,338	7,301	September 30, 2017
September 30, 2015	30,597	-	-	30,597	9,179	September 30, 2018
	<b>₱143,844</b>	<b>₱3,190</b>	<b>₱45,122</b>	<b>₱95,532</b>	<b>₱28,659</b>	

#### MCIT

Year Incurred	Balance as at Beginning of Year	Applied	Balance as at the End of the Year	Available Until
September 30, 2013	₱1,172	₱1,157	₱15	September 30, 2016
September 30, 2014	184	-	184	September 30, 2017
September 30, 2015	15	-	15	September 30, 2018
	<b>₱1,371</b>	<b>₱1,157</b>	<b>₱214</b>	

## 26. Earnings (Loss) Per Share

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

	Note	2015	2014	2013
Net income (loss) attributable to the equity holders of the Parent Company:		<b>₱135,157</b>	₱2,274,885	₱265,283
<i>Continuing operations</i>		<b>135,157</b>	2,233,018	(214,792)
<i>Discontinued operations</i>	6	-	41,866	485,032
Weighted average number of shares issued and outstanding		<b>1,938,167</b>	1,921,501	2,911,886
Basic/diluted earnings (loss) per share:		<b>₱0.07</b>	₱1.18	₱0.09
<i>Continuing operations</i>		<b>0.07</b>	1.16	(0.08)
<i>Discontinued operations</i>		-	0.02	0.17

There are no potential dilutive common shares as at September 30, 2015 and 2014.

## 27. Contingencies and Commitments

### Contingencies

*Land Properties Subjected to the CARL.* The 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 (CLOA) covering 2,676 hectares of the Parent Company's three *haciendas*, namely: Palico, Banilad and Carmen/Caylaway.

Sometime in 1993, the Parent Company filed a case questioning the DAR's acquisition proceedings and asking for the cancellation of the CLOA. 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 CLOA that were issued by the DAR despite its declaration that the acquisition proceedings were null and void.

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

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

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

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

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

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

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

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

On May 14, 2013, the BOD approved to authorize 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. However, the said negotiations have not yet commenced as the possible VOS is merely an option that the Company will consider after exhausting all means possible. The intention by management of whether to push through with the VOS is dependent on the outcome of the applications for exemption, exclusion or conversion of land covered by the CARP/CARL.

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. As at the date of the report, there is no agreement yet with the DAR on the properties approved for possible VOS.

In the opinion of management and legal counsel, there are no other pending labor or other legal cases and claims in the ordinary course of business that will have a material effect on the financial position and performance of the Group, except for the disputed claims for which the Group did not recognize a provision for losses in 2015 and 2014.

#### Joint Operations

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

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

#### Lease-back Guarantee

In 2014, the Company entered into a lease-back guarantee with buyers of Anya Resort Suites. The said buyers will be entitled to a guaranteed lease along with the usage allowance for the first five years, equivalent to a 37% of the purchase price, inclusive of fixtures, furniture and equipment and VAT. The hotel operator will be RCPC, wholly owned subsidiary of the Company.

The guaranteed funds will be distributed each quarter reckoned from the date of full opening of operations of the resort.

In 2014, the Company recognized provision for yield guarantee amounting to ₱1.1 million. In 2015, the provision for yield guarantee was derecognized.

### Lease Commitments

The Group, as a lessee, has an existing one-year lease agreement with CADPRFI for the lease of office space, which is renewable annually at the option of the Parent Company, CADPI and CACI under such terms and conditions mutually acceptable to all parties. Related rent expense charged to operations amounted to ₱4.0 million in 2013 (see Note 22).

On December 20, 2013, the Group leased a portion of its investment property to a third party, which runs for a period of three cropyears and is renewable for another three cropyears. Rent income recognized amounted to ₱0.9 million in 2015 and 2014 (see Note 14).

### Unused Credit Lines

As at September 30, 2015 and 2014, the Group has unused lines of credit with local banks amounting to ₱278.86 million and ₱678.64 million, respectively (see Notes 14 and 15).

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## 28. Financial Instruments

### Risk Management, Objectives and Policies

The 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 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 14 and 15).

The tables below summarize the maturity profile of the financial liabilities based on contractual undiscounted payments and the related financial assets used for liquidity management as at September 30, 2015 and 2014:

	2015					Total
	On demand	Less than One Year	One to Two Years	Two to Four Years	Over Five Years	
Short-term borrowings*	₱-	₱622,170	₱-	₱-	₱-	₱622,170
Trade and other payables**	137,074	10,644	-	-	-	147,718
Due to related parties	48,030	-	-	-	-	48,030
Dividends payable	5,527	-	-	-	-	5,527
Long-term borrowings	-	35,501	166,844	-	-	202,345
	<b>₱190,631</b>	<b>₱668,315</b>	<b>₱166,844</b>	<b>₱-</b>	<b>₱-</b>	<b>₱1,025,790</b>

	2015					Total
	On demand	Less than One Year	One to Two Years	Two to Four Years	Over Five Years	
Cash in bank and short-term placements	₱183,170	₱-	₱-	₱-	₱-	₱183,170
Trade receivables***	185,060	-	102,994	-	-	288,054
Due from:						
Related parties	75,306	-	-	-	-	75,306
Employees	3,810	4,559	844	-	-	9,213
Other receivables	5,865	-	-	-	-	5,865
	<b>₱453,211</b>	<b>₱4,559</b>	<b>₱103,838</b>	<b>₱-</b>	<b>₱-</b>	<b>₱561,608</b>

\* Includes expected interest payments for short-term and long-term borrowings amounting to ₱2.8 million and ₱25.8 million, respectively.

\*\* Excludes payable to government agencies amounting to ₱14.4 million.

\*\*\* Includes due from contractors amounting to ₱20.7 million and noncurrent portion of installment contract receivables amounting to ₱32.8 million.

	2014					Total
	On demand	Less than One Year	One to Two Years	Two to Four Years	Over Five Years	
Short-term borrowings*	₱93,150	₱-	₱-	₱-	₱-	93,150
Trade and other payables**	107,814	12,898	-	-	-	120,712
Due to related parties	54,479	-	-	-	-	54,479
Dividends payable	5,298	-	-	-	-	5,298
Long-term borrowings	-	36,330	172,918	74,708	-	283,956
	<b>₱260,741</b>	<b>₱49,228</b>	<b>₱172,918</b>	<b>₱74,708</b>	<b>₱-</b>	<b>₱557,595</b>

Cash in bank and short-term placements	₱139,535	₱-	₱-	₱-	₱-	₱139,535
Trade receivables***	26,377	99,671	8,317	3,269	2,787	140,421
Due from:						
Related parties	10,946	50,300	-	-	-	61,246
Employees	124	929	172	-	-	1,225
Other receivables	9,427	-	-	-	-	9,427
	<b>₱186,409</b>	<b>₱150,900</b>	<b>₱8,489</b>	<b>₱3,269</b>	<b>₱2,787</b>	<b>₱351,854</b>

\* Includes expected interest payments for short-term and long-term borrowings amounting to ₱0.8 million and ₱25.0 million, respectively.

\*\* Excludes payable to government agencies amounting to ₱1.0 million.

\*\*\* Includes noncurrent portion of installment contract receivables amounting to ₱2.4 million.

**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 amounting to ₱71.4 million as at September 30, 2013.



The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions.

Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a qualitative risk rating. Risk ratings are subject to regular revision. The credit quality review process allows the Group to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

*Maximum exposure to credit risk without taking account of any collateral and other credit enhancements.*

The table below shows the maximum exposure to credit risk of the Group shown at gross before the effect of mitigation through collateral agreements.

	2015	2014
Cash in banks and cash equivalents	<b>₱183,171</b>	₱139,535
Trade receivables*	<b>233,821</b>	132,648
Due from:		
Related parties*	<b>75,306</b>	48,605
Employees*	<b>9,213</b>	1,225
Dividend receivable	<b>4,624</b>	4,624
Other receivables*	<b>5,865</b>	9,427
AFS financial assets*	<b>7,543</b>	7,543
	<b>₱519,543</b>	₱343,607

\* Net of allowance for impairment losses totaling ₱14.0 million in 2015 and 2014.

*Collaterals and other credit enhancements.* The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

*Credit quality per class of financial assets.* The credit quality of receivables is managed by the Group through its Marketing Department.

High grade accounts are those receivables from counterparties with whom collections are made without much collection effort. Standard grade accounts consist of receivables from its distributors with good financial condition and with relatively low defaults. Substandard grade accounts on the other hand, are receivables from other counterparties with history of defaulted payments.

The tables below show the credit quality of financial assets and an aging analysis of past due but not impaired accounts:

	2015						Financial Assets	Total
	Neither past due nor impaired			Past due but not impaired		Impaired		
	High Grade	Standard Grade	Substandard Grade	Over 30 Days	Over 90 Days			
Cash in banks and cash equivalents	<b>₱183,170</b>	₱-	₱-	₱-	₱-	₱-	<b>₱183,170</b>	
Trade receivables	<b>141,841</b>	<b>70,882</b>	-	-	<b>21,098</b>	<b>762</b>	<b>234,583</b>	
Due from:								
Related parties	<b>75,306</b>	-	-	-	-	<b>12,641</b>	<b>87,947</b>	
Employees	<b>9,213</b>	-	-	-	-	-	<b>9,213</b>	
Dividend receivables	<b>4,624</b>	-	-	-	-	-	<b>4,624</b>	
Other receivables	<b>5,865</b>	-	-	-	-	-	<b>5,865</b>	
AFS financial assets	<b>7,534</b>	-	-	-	-	<b>688</b>	<b>8,222</b>	
	<b>₱427,553</b>	<b>₱70,882</b>	₱-	₱-	<b>₱21,098</b>	<b>₱14,091</b>	<b>₱533,624</b>	

	2014						Total
	Neither past due nor impaired			Past due but not impaired		Impaired Financial Assets	
	High Grade	Standard Grade	Substandard Grade	Over 30 Days	Over 90 Days		
Cash in banks and cash equivalents	₱138,317	₱1,218	₱-	₱-	₱-	₱-	₱139,535
Trade receivables	97,498	8,122	-	18,710	8,318	762	133,410
Due from:							
Related parties	48,605	-	-	-	-	12,641	61,246
Employees	980	245	-	-	-	-	1,225
Dividend receivables	4,624	-	-	-	-	-	4,624
Other receivables	7,691	1,604	-	37	95	-	9,427
AFS financial assets	7,534	-	-	-	-	688	8,222
	₱305,249	₱11,189	₱-	₱18,747	₱8,413	₱14,091	₱357,689

*Impairment assessment.* The main consideration for impairment assessment includes whether there are known difficulties in the cash flow of the counterparties. The Group assesses impairment in two ways: individually and collectively.

First, the Group determines allowance for each significant receivable on an individual basis. Among the items that the Group considers in assessing impairment is the inability to collect from the counterparty based on the contractual terms of the receivables. Receivables included in the specific assessment are the accounts that have been endorsed to the legal department, non-moving accounts receivable and other accounts of defaulted counterparties.

For collective assessment, allowances are assessed for receivables that are not individually significant and for individually significant receivables where there is no objective evidence of individual impairment. Impairment losses are estimated by taking into consideration the age of the receivables, past collection experience and other factors that may affect their collectability.

The Group has recognized an impairment loss on its financial assets using specific assessment amounting to ₱0.7 million in 2014 (see Note 10).

*Commodity price risk.* The Group is exposed to commodity price risk from conventional physical sales and purchase of sugar managed through volume, timing and relationship strategies. The Group does not enter into commodity derivatives.

The Group's sales commitments are contracted at fixed prices and, thus, have no impact on the consolidated cash flows in the next 12 months.

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

The Group has interest-bearing loans which bear floating interest rate and expose the Group to interest rate risk.

The following table demonstrates the sensitivity analysis to a reasonably possible change in interest rates, with all other variables held constant, of the Group's income before income tax (through the impact of floating rate borrowings) and equity in 2015 and 2014. The estimates are based on the outstanding interest bearing liabilities of the Group with floating interest rate as at September 30, 2015 and 2014.

2015		
Increase (Decrease)	Effect on Income Before Tax	Effect on Equity
0.5%	(₱842)	(₱35,787)
(0.5%)	842	35,787

2014		
Increase (Decrease)	Effect on Income Before Tax	Effect on Equity
0.5%	(P11,282)	(P34,693)
(0.5%)	11,282	34,693

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

The other financial instruments of the Group that are not included in the foregoing tables are noninterest-bearing and are therefore not subject to interest rate risk.

#### Capital Management

The primary objective of the 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 dividend declaration is dependent on availability of retained earnings and operating requirements. The Group manages its capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for the years ended September 30, 2015 and 2014.

Management considers the total consolidated equity reflected in the consolidated balance sheets as its capital. The Group monitors its use of capital using leverage ratios, specifically, DSCR and debt-to-equity ratio. It also monitors its DSCR to ensure that there would be sufficient amount of cash flow available to meet annual interest and principal payments on debt.

The Group is required to maintain a maximum debt-to-equity ratio of 2.33:1 and minimum DSCR of 1.25:1 by its creditor banks. The Group has the following debt-to-equity ratio:

	2015	2014
Total liabilities	<b>P1,023,498</b>	P539,561
Total equity	<b>7,124,300</b>	6,932,963
Total liabilities and equity	<b>P8,147,798</b>	P7,472,524
Debt-to-equity ratio	<b>0.14:1.0</b>	0.08:1.0

#### Fair Values

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

	2015		2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial Assets</b>				
Cash on hand	<b>P130</b>	<b>P130</b>	P256	P256
Loans and receivables:				
Cash in banks and cash equivalents	<b>183,170</b>	<b>183,170</b>	139,535	139,535
Trade receivables	<b>233,821</b>	<b>233,821</b>	132,648	132,648

(Forward)

	2015		2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Due from:				
Related parties	<b>₱75,306</b>	<b>₱75,306</b>	₱48,605	₱48,605
Employees	<b>9,213</b>	<b>9,213</b>	1,225	1,225
Dividend receivable	<b>4,624</b>	<b>4,624</b>	4,624	4,624
Other receivables	<b>5,865</b>	<b>5,865</b>	9,427	9,427
AFS financial assets	<b>7,543</b>	<b>7,543</b>	7,543	7,543
	<b>₱519,672</b>	<b>₱519,672</b>	₱343,863	₱343,863
<b>Financial Liabilities</b>				
Other financial liabilities:				
Short-term borrowings	<b>₱593,604</b>	<b>₱593,604</b>	₱92,386	₱92,386
Trade and other payables*	<b>147,718</b>	<b>147,718</b>	120,712	120,712
Due to related parties	<b>48,030</b>	<b>48,030</b>	54,479	54,479
Dividends payable	<b>5,527</b>	<b>5,527</b>	5,298	5,298
Long-term borrowings	<b>202,345</b>	<b>202,345</b>	283,956	283,956
	<b>₱997,224</b>	<b>₱997,224</b>	₱556,831	₱556,831

\*\* Excludes payable to government agencies amounting to ₱14.4 million and ₱1.0 million in 2015 and 2014, respectively.

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

*Cash in banks and short-term placements, receivables, short-term borrowings, current portion of long-term borrowings, accounts payable and accrued expenses, dividends payable and due to related parties.* The carrying amounts of these instruments approximate their fair values due to their short-term maturities.

*Long-term borrowings* - Fair values of long-term borrowings as at September 30, 2015 and 2014 were determined based on Level 3 in which the inputs are based on the discounted interest rate of the prevailing comparable instrument in the market.

The Group has no financial instruments carried at fair value in the consolidated financial statements as at September 30, 2015 and 2014.

## 29. Segment Reporting

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

a. Real Estate

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

b. Others

Other segments of the Group include the Parent Company, which owns various tracts of lands in Nasugbu, Batangas and RGEC, an entity established primarily for renewable energy and UVC, a leasing company.

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

The Parent Company's BOD regularly reviews the operating results of the business units to make decisions on resource allocation and assess performance. Segment revenue and segment expenses are measured in accordance with PFRS. The presentation and classification of segment revenues and segment expenses are consistent with the consolidated statements of income.

Financing costs (including interest expense) and income taxes are managed on a per company basis and are not allocated to operating segments. Further, the measurement of the segments is the same as those described in the summary of significant accounting and financial reporting policies.

a. Segment revenue and expenses

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

b. Segment assets and liabilities

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, real estate for sale and development, prepayments and property and equipment, net of related accumulated depreciation. Segment liabilities include all operating liabilities and consist principally of trade payables, accruals and customers' deposits. Segments assets and liabilities do not include deferred income taxes.

c. Inter-segment transfers

Segment revenue, expenses and results include transfers between business segments. Such transfers are accounted for at competitive market prices charged to unrelated customers or by suppliers for similar goods or services.

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

	2015			
	Real Estate	Others	Eliminations and Adjustments	Consolidated Balances
<b>Sale of Real Estate</b>	<b>₱250,434</b>	<b>₱-</b>	<b>₱-</b>	<b>₱250,434</b>
<b>Cost of Real Estate Sales</b>	<b>(152,939)</b>	<b>-</b>	<b>-</b>	<b>(152,939)</b>
Interest income	7,669	4,451	(384)	11,736
Interest expense	(6,413)	(11,073)	(385)	(17,871)
Others	(81,345)	212,209	(81,582)	49,282
Income before income tax	17,406	205,587	(82,351)	140,642
Income tax expense	(9,616)	267	-	(9,349)
<b>Segment Income</b>	<b>7,790</b>	<b>205,854</b>	<b>(82,351)</b>	<b>131,293</b>
Equity in net earnings of associates and a joint venture	-	-	3,823	3,823
<b>Consolidated Net Income</b>	<b>₱7,790</b>	<b>₱205,854</b>	<b>(₱78,528)</b>	<b>₱135,116</b>

2015				
	Real Estate	Others	Eliminations and Adjustments	Consolidated Balances
<b>Other Information</b>				
Major costs and expenses -				
Depreciation and amortization	₱1,707	₱764	₱-	₱2,471
Additions to noncurrent assets:				
Property and equipment	51,280	6,811	-	58,091
Investments in associates and a joint venture	35	476,486	(175,286)	301,235
<b>Assets and Liabilities</b>				
Current assets	₱1,307,668	₱335,682	(₱566,616)	₱1,076,734
Noncurrent assets	414,005	6,836,189	(179,130)	7,071,064
<b>Total Assets</b>	<b>₱1,721,673</b>	<b>₱7,171,871</b>	<b>(₱745,746)</b>	<b>₱8,147,798</b>
Current liabilities	₱613,699	₱177,280	₱82,134	₱873,113
Noncurrent liabilities	9,799	175,848	(35,262)	150,385
<b>Total Liabilities</b>	<b>₱623,498</b>	<b>₱353,128</b>	<b>₱46,872</b>	<b>₱1,023,498</b>
2014				
	Real Estate	Others	Eliminations and Adjustments	Consolidated Balances
<b>Sale of Real Estate</b>	₱199,809	₱-	₱-	₱199,809
<b>Cost of Real Estate Sales</b>	(105,439)	-	-	(105,439)
Interest income	4,867	4,545	(141)	9,271
Interest expense	(4,388)	(11,225)	141	(15,472)
Others	(43,883)	1,374,014	641,139	1,971,270
Income before income tax	50,966	1,367,334	641,139	2,059,439
Income tax expense	(8,267)	(708)	-	(8,975)
<b>Segment Income</b>	42,699	1,366,626	641,139	2,050,464
Equity in net earnings of associates and a joint venture	-	16,050	180,903	196,953
<b>Consolidated Net Income</b>	<b>₱42,699</b>	<b>₱1,382,676</b>	<b>₱822,042</b>	<b>₱2,247,417</b>
<b>Other Information</b>				
Major costs and expenses -				
Depreciation and amortization	₱1,494	₱871	₱-	₱2,365
Additions to noncurrent assets:				
Property and equipment	2,502	236	-	2,738
Investments in associates and a joint venture	155,000	1,709,495	302,883	2,167,378
<b>Assets and Liabilities</b>				
Current assets	₱718,307	₱148,645	(₱22,000)	₱844,952
Noncurrent assets	302,365	5,927,202	398,005	6,627,572
<b>Total Assets</b>	<b>₱1,020,672</b>	<b>₱6,075,847</b>	<b>₱376,005</b>	<b>₱7,472,524</b>
Current liabilities	₱543,791	₱35,542	(₱249,047)	₱330,286
Noncurrent liabilities	5,612	128,617	75,046	209,275
<b>Total Liabilities</b>	<b>₱549,403</b>	<b>₱164,159</b>	<b>(₱174,001)</b>	<b>₱539,561</b>

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**30. Events after Reporting Year**

On October 8, 2015, the Parent Company entered into a Joint Venture Agreement (JVA) with Sigma Xynergies Corporation (SXC), a Filipino owned company, to establish Sigma Coco Xynergies, Inc., a joint venture Company, duly registered and incorporated with the SEC, primarily engaged in constructing a 200 tons-per-day coconut processing facility in Tupi, South Cotabato to produce coconut milk, coconut cream, virgin coconut oil and coconut water concentrate for export.


On December 18, 2015, the BOD of the Parent Company approved the declaration and payment of cash dividend of ₱0.01 a share to all stockholders of record as at January 15, 2016. The cash dividend is payable on February 5, 2016.

**REPORT OF INDEPENDENT AUDITOR  
ON SUPPLEMENTARY SCHEDULE**

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

We have audited in accordance with Philippine Standards on Auditing the separate financial statements of Roxas and Company, Inc. as at September 30, 2015 and 2014 and for each of the three years in the period ended September 30, 2015 and have issued our report thereon dated December 18, 2015. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary schedule of unappropriated retained earnings available for dividend declaration for the year ended September 30, 2015 is the responsibility of the Company's management. This schedule is presented for purposes of complying with the Securities Regulations Code Rule 68, as amended, and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states, in all material respects, the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

**REYES TACANDONG & Co.**



PROTACIO T. TACANDONG

Partner

CPA Certificate No. 25006

Tax Identification No. 105-309-124-000

BOA Accreditation No. 4782; Valid until December 31, 2015

SEC Accreditation No. 1024-AR-1 Group A

Valid until September 23, 2016

BIR Accreditation No. 08-005144-2-2013

Valid until November 26, 2016

PTR No. 4748319

Issued January 5, 2015, Makati City

December 18, 2015  
Makati City, Metro Manila



**ROXAS AND COMPANY, INC.**

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**SUPPLEMENTARY SCHEDULE OF UNAPPROPRIATED RETAINED EARNINGS  
AVAILABLE FOR DIVIDEND DECLARATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Unappropriated retained earnings at beginning of year	₱622,854,724
Deferred tax asset at beginning of year	918,723
<hr/>	
Unappropriated retained earnings at beginning of year as adjusted	623,773,447
Net income during the year closed to retained earnings, net of deferred tax amounting to ₱1,204,799 at end of year	103,868,729
<hr/>	
	727,642,176
Dividend declaration during the year	(38,430,022)
<hr/>	
Unappropriated retained earnings available for dividend declaration at end of year	₱689,212,154

Reconciliation:

Unappropriated retained earnings at end of year as shown in the separate financial statements	₱774,498,230
Reversal of appropriation during the year	(85,000,000)
Deferred tax asset, movement during the year	(286,076)
<hr/>	
	₱689,212,154

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## **A N N E X “B”**

**Index to Consolidated Financial Statements**

**Retained Earnings Available for Dividend Declaration**

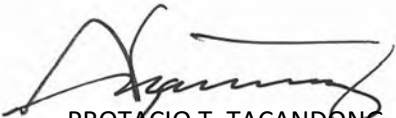
**List of Philippines Financial Reporting Standards (PFRS) effective as at September 30, 2015 and List of New and Mended Accounting Standards and Interpretations and Improvements to PFRS that became effective as at October 1, 2011**

## REPORT OF INDEPENDENT AUDITOR ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing the consolidated financial statements of Roxas and Company, Inc. and Subsidiaries (the Group) as at September 30, 2015 and 2014 and for each of the three years in the period ended September 30, 2015, and have issued our report thereon dated December 18, 2015. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplementary schedules listed in the Index to Consolidated Financial Statements, Supplementary Schedules on Financial Soundness Indicators and Corporate Structure are the responsibility of the Group's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68 Part II and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state in all material respects, the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

### REYES TACANDONG & Co.



PROTACIO T. TACANDONG

Partner

CPA Certificate No. 25006

Tax Identification No. 105-309-124-000

BOA Accreditation No. 4782; Valid until December 31, 2015

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Valid until September 23, 2016

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Valid until November 26, 2016

PTR No. 4748319

Issued January 5, 2015, Makati City

December 18, 2015

Makati City, Metro Manila

**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**  
**Index to Consolidated Financial Statements**  
**As at and For the Year Ended September 30, 2015**

Table of Contents

Schedule	Description	Page
A	Financial Assets	N/A
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	2
C	Amounts Receivable from Related Parties which are eliminated during the consolidation of the financial statements	3
D	Intangible Assets - Other Assets	N/A
E	Long-term Borrowings	5
F	Indebtedness to Related Parties (Long-Term Loans from Related Companies)	N/A
G	Guarantees of Securities of Other Issuers	N/A
H	Capital Stock	6

N/A - Not applicable

## SCHEDULE B

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**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**


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**AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS**
**(OTHER THAN RELATED PARTIES)**
**SEPTEMBER 30, 2015**
**(AMOUNTS IN THOUSANDS)**

	Balance at beginning of year	Additions	Amounts collected	Amounts written off	Current	Noncurrent	Balance at end of year
Various employees (educational loans/advances)	₱–	₱13,235	₱10,713	₱–	₱2,522	₱–	₱2,522

**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**

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

**SEPTEMBER 30, 2015**

**(AMOUNTS IN THOUSANDS)**

Name and designation of debtor	Balance at beginning of year	Additions	Amounts collected	Current	Noncurrent	Balance at end of year
Nasugbu Feeds Corporation	₱345	₱-	₱-	₱345	₱-	₱345
Roxas Green Energy, Inc.	-	7,773	-	7,773	-	7,773
United Ventures Corporation	-	3,500	-	3,500	-	3,500
	₱345	₱11,273	₱-	₱11,618	₱-	₱11,618

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**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**


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**LONG-TERM BORROWINGS****SEPTEMBER 30, 2015****(AMOUNTS IN THOUSANDS)**

Title of issue and type of obligation	Amount shown under caption “Current portion of long-term borrowings” in related consolidated statement of financial position	Amount shown under caption “Long-term borrowings” in related consolidated statement of financial position
Loans payable to local banks:		
Bank of the Philippine Islands (BPI)	₱30,000	₱97,500
Banco de Oro Unibank, Inc.	33,829	41,016
	<u>₱63,829</u>	<u>₱138,516</u>

The details, interest, loan covenants and other terms and conditions, among others, are discussed in Note 15 to consolidated financial statements.

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**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**


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**CAPITAL STOCK**  
**SEPTEMBER 30, 2015**

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related consolidated statement of financial position caption	Number of shares reserved for options, warrants, conversion, and other rights	Number of shares held by related parties	Directors and officers	Others
Common shares – “Class A” at ₱1 par value	3,375,000,000	1,971,501,095	–	–	53,345,364	1,918,155,731



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**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**

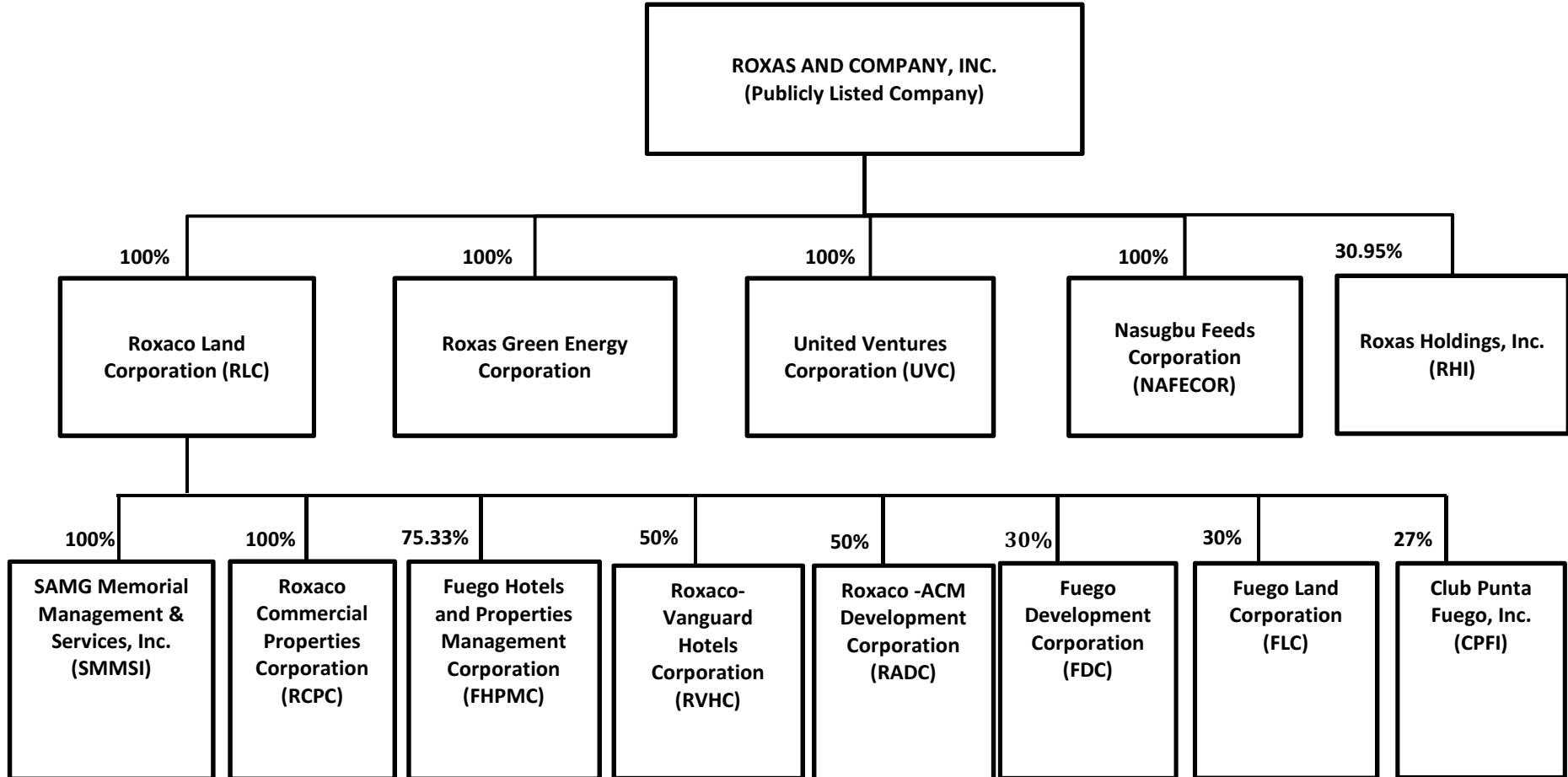
**FINANCIAL SOUNDNESS INDICATORS**

SEPTEMBER 30, 2015

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	2015	2014
<b>Liquidity ratio</b>		
Current ratio	<b>1.27:1</b>	3:1
<b>Solvency ratio</b>		
Debt to equity ratio	<b>0.14:1</b>	0.08:1
<b>Asset to Equity ratio</b>	<b>1.14</b>	1.08
<b>Debt Service Coverage ratio</b>	<b>0.18</b>	6.15
<b>Interest Rate Coverage ratio</b>	<b>8.08</b>	31.15
<b>Probability ratios</b>		
Return on Assets	<b>1.66%</b>	30.82%
Return on Equity	<b>1.90%</b>	33.23%

**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**  
**ORGANIZATIONAL STRUCTURE**  
 September 30, 2015



## REPORT OF INDEPENDENT AUDITOR ON SUPPLEMENTARY SCHEDULE

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

We have audited the accompanying consolidated financial statements of Roxas and Company, Inc. and Subsidiaries as at September 30, 2015 and 2014 and for each of the three years in the period ended September 30, 2015, and have issued our report thereon dated December 18, 2015. Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplementary Schedule of Adoption of Effective Accounting Standards and Interpretations is the responsibility of the Company's management. This schedule is presented for purposes of complying with Securities Regulation Code Rule 68, as amended, and is not part of the basic consolidated financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

### REYES TACANDONG & Co.



PROTACIO T. TACANDONG

Partner

CPA Certificate No. 25006

Tax Identification No. 105-309-124-000

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PTR No. 4748319

Issued January 5, 2015, Makati City

December 18, 2015  
Makati City, Metro Manila

**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**

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**SUPPLEMENTARY SCHEDULE OF ADOPTION OF  
EFFECTIVE ACCOUNTING STANDARDS AND INTERPRETATIONS  
SEPTEMBER 30, 2015**

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

**Philippine Financial Reporting Standards (PFRSs)**

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

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

## Philippine Accounting Standards (PASs)

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
PAS 19 (Amended)*	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓

<b>PAS</b>	<b>Title</b>	<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
PAS 27	Consolidated and Separate Financial Statements	✓		
PAS 27 (Amended)*	Separate Financial Statements	✓		
PAS 28	Investments in Associates	✓		
PAS 28 (Amended)*	Investments in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓

## PHILIPPINE INTERPRETATIONS

No.	Title	Adopted	Not Adopted	Not Applicable
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2	✓		
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 11	PFRS 2 - Group and Treasury Share Transactions	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners	✓		
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓



No.	Title	Adopted	Not Adopted	Not Applicable
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓



# **A N N E X “C”**

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

**Roxas and Company, Inc.**  
**MANAGEMENT DISCUSSION AND ANALYSIS OR PLAN OF OPERATION**  
**FISCALYEAR 2014-2015**

**2015 Corporate Updates**

On November 27, 2013, Roxas and Company, Inc. (RCI) made a strategic decision to give up majority control of its investment in Roxas Holdings, Inc. (RHI) in order to buy-out its majority shareholders, fund its expansion projects and to pay down its debts. The Company sold its 31% equity ownership in RHI to First Pacific Company, Ltd. (First Pacific), a Hong Kong based company but remained a major shareholder with 35% control as at September 30, 2014.

On February 27, 2015, First Agri Holdings Corporation, a subsidiary of First Pacific purchased additional shares to gain 50.9% majority control of RHI. In order to maintain a 31% ownership of RHI, RCI acquired 5.0 million shares on October 1, 2014 for ₱34.5 million and another 33.1 million shares on February 27, 2015 for ₱231.8 million

On May 14, 2015, RCI incorporated Roxas Green Energy Corporation (RGEC) to venture in solar power generation. RGEC plans to develop a 50MW solar power plant within the properties owned by RCI in Nasugbu, Batangas through a long term lease agreement. The 1<sup>st</sup> phase of 30MW will come on line by 2016.

On August 20, 2015, the Board approved RCI's strategic investment in a Joint Venture with Sigma Xynergies, Inc. to construct an integrated coconut processing plant located in Tupi, South Cotabato. The facility will be capable of processing 200MT per day of coconuts to produce virgin coconut oil, coconut milk, coconut cream and concentrated coconut water primarily for the export market.

**Results of Operation**

Consolidated sales for the fiscal year amounted to ₱250.4 million or 25% higher than last year's ₱199.8 million due to higher real estate sales of Anya Resort and Residences Phase 2 project in Tagaytay.

Gross profit for the fiscal year amounted to ₱97.3 million or 39% of sales. The Gross profit rate is lower than last year's 47% due to higher gross profit rate of Peninsula de Punta Fuego project.

General and administrative expenses of ₱91.4 million is 13% higher than last year due to increase in compensation and benefits from additional hiring and higher cost of power.

Selling and marketing expenses amounting to ₱26.6 million is 32% higher than last year due to higher commissions and marketing expenses incurred by the property group for its Anya Resort project.

Equity in net earnings of ₱3.8 million represents 31% share of earnings from its investment in RHI, net of 50% share in losses from investment in RVHC, 30% share in losses from investments in FDC and FLC and 25% share in earnings from investment in CPFI for the period ended September 30, 2015.

Other income representing interest income, management fees, gain on disposal of property and equipment, rent income, interment income, net foreign exchange gains (losses), income from performance bank guarantee and other fees from realty operations amounting to ₱39.1 million is 33% higher than last year's ₱

29.3 million due to higher interest from installment sales, gain on sale of property, forfeited deposits and marketing income from realty operations.

Consolidated net income for the fiscal year amounted to ₱135.1 million or a decrease of 94% from last year's net income of ₱2,289.2 million. The decrease was due to the recognition of gain on the sale of its investment in RHI amounting ₱2,036.0 million in 2014.

### **Financial Position**

Consolidated total assets amounting to ₱8,147.8 million as at September 30, 2015 is 9% higher than ₱7,472.5 million as at September 30, 2014 due to the increase in receivables from realty sales and the additional investment in stocks in RHI.

Current ratio decreased from 2.56:1 as at September 30, 2014 to 1.23:1 as at September 30, 2015 due to increase in short term debts to fund project development and investment.

Debt to equity (D/E) ratio increased from 0.08:1 to 0.14:1 for the same period due to increase in short term debts, but still within the maximum 0.75:1 DE ratio required under debt covenants of the term loan.

Book value per share is ₱3.61 and ₱3.51 as at September 30, 2015 and 2014, respectively.

Total trade and other receivables amounting to ₱304.1 million is 57% higher than the balance as at September 30, 2014 of ₱194.1 million due to increase in receivables from higher real estate sales in Landing Townhomes and the Anya Resort projects of the property group.

Total liabilities increased by 90% from ₱539.6 million to ₱1,023.5 million due to the increase of short term loans and payables to fund the property group's real estate projects and to acquire additional shares from RHI.

Total equity increased by ₱191.3 million from ₱6,933.0 million to ₱7,124.3 million due to the additional equity of ₱100.0 million from sale of 50.0 million treasury shares, net increase of ₱96.7 million in retained earnings after payment of ₱38.4 million dividends in the first quarter and the net decrease in other equity reserves of ₱5.3 million.

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.

## Top Five Performance Indicators

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

1. *Realized gross profit (RGP) on sale of developed real estate (lots only).* This is recognized in full when the collection of the total contract price reached 10%. At this stage, it is reasonably assured that the risks and benefits over the developed assets have been transferred to the lotbuyer.
2. *Number of lots sold.* The lot sold and the terms of the sale will determine when income would be recognized and how much is the potential income to the Company.
3. *Collection efficiency on trade receivables.* Income recognition is a factor of collection, plus the interest income component.
4. *Earnings before interest, taxes and depreciation (EBITDA)* - This is the measure of cash income from operations.
5. *Return on Equity* - denotes the capability of the Company to generate returns for the shareholders.

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

<b>Performance Indicator</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Realized gross profit on real estate sales	₱97.3 million	₱94.2 million	₱48.7 million
Number of lots sold / reserved	72 units residential/ 92 memorial	119 units residential/ 72 memorial	121 unit residential/ 164 memorial
Collection efficiency	98%	98%	99%
EBITDA	₱153.1 million	₱2,494.4 million	₱1,776.3 million
Return on equity	2%	36%	18%

## Key Variable and Other Qualitative and Quantitative Factors

1. Known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company's material liquidity problem;
2. Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations;
3. The company is not aware of any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.
4. The company is not aware of any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

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

For FY 2015-2016, RLC has programmed ₱579 million for project development costs of which ₱209 million is for Anya Resorts and ₱370.0 million is for new projects.

### **Plan of Operation**

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

- Complete the land development of the two current Batangas residential projects, Landing Townhomes and Orchards Phase II, including townhomes and houses due for completion.
- Complete the development of phase two of Anya Resort and Residences. Start of Anya hotel operations by 1<sup>st</sup> quarter of 2016.
- Formally launch Anya Resort and Residences phase three and break ground for its construction.
- Aggressively pursue acquisition of new properties within greater Metro Manila for potential low-to-medium-density residential development.
- Completion and opening of the first five Go Hotels by the first half of 2016.
- Increase ownership in Fuego Hotels up to 100% (now 75%) and enlarge its property management operations through investment or partnership.
- Completion of the development of the 30MW Solar Power Project in Nasugbu, Batangas by 2<sup>nd</sup> quarter of 2016.
- Start of development and construction of coconut processing facility in Tupi, South Cotabato by 1<sup>st</sup> quarter of 2016. Target commencement of operation is by 2017.

## **FISCAL YEAR 2013-2014**

Roxas and Company, Inc. (RCI) or the Parent Company made a major strategic decision to give up majority control of its investment in Roxas Holdings Inc. (RHI) in order to buy-out its minority shareholders, fund the expansion of its tourism-related realty projects and to pay down its debts. RCI sold its 31% equity ownership in RHI to First Pacific Natural Resources Holdings BV (First Pacific), a Hong Kong-based company, on November 29, 2013. Proceeds from the sale amounted to ₱2,220.4 million and led to a gain of ₱2,036.0 million. As a result, RCI's consolidated net income increased by 430% to ₱2,289.2 million.

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

### **Results of Operation**

Consolidated revenues for the fiscal year amounted to ₱199.8 million or 140% higher than last year's ₱83.1 million due to higher revenues from Roxaco Land Corporation's (RLC's) Anya Resort and Landing Townhomes projects. RLC rationalize the basis of recognizing revenues from its real estate sales from 25% to 10% of collected sales. Management believes that at 10% collection, sales collectability is reasonably assured and the risks and benefits over the asset have been transferred to the buyer.

Gross profit for the fiscal year amounted to ₱94.2 million or 47% of revenue. The Gross profit rate is slightly lower than last year's 68% due to the increase in the cost of development.

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

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

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

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

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

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

For the Fiscal Year ended September 30, 2014, the Group recorded the highest, Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) amounting to ₱2,494.4 million compared to ₱1,776.3 million last year.

### **Financial Condition**

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

Current ratio this year improved from 2.01:1 to 2.56:1. Debt to equity (D/E) ratio likewise improved to 0.08:1 compared to last year's 1.02:1, within the allowable 0.75:1 DE ratio required in the debt covenant for term loans.

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

Book value per share is ₱3.51 and ₱3.45 as at September 30, 2014 and 2013, respectively.

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

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

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

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

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

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

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

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



## Top Five Performance Indicators

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

1. *Realized gross profit (RGP) on sale of developed real estate (lots only).* This is recognized in full when the collection of the total contract price reached 10%. At this stage, it is reasonably assured that the risks and benefits over the developed assets have been transferred to the lotbuyer.
2. *Number of lots sold.* The lot sold and the terms of the sale will determine when income would be recognized and how much is the potential income to the Company.
3. *Collection efficiency on trade receivables.* Income recognition is a factor of collection, plus the interest income component.
4. *Earnings before interest, taxes and depreciation (EBITDA)* - This is the measure of cash income from operations.
5. *Return on Equity* - denotes the capability of the Company to generate returns for the shareholders.

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

<b>Performance Indicator</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Realized gross profit on real estate sales	₱94.2 million	₱48.8 million	₱54.3 million
Number of lots sold / reserved	119 units residential/ 72 memorial	121 unit residential/ 164 memorial	85 lots residential/ 127 memorial
Collection efficiency	98%	99%	99%
EBITDA	₱2,418.6 million	₱1,137.8 million	₱1,194.7 million
Return on equity	36%	18%	5%

## Key Variable and Other Qualitative and Quantitative Factors

1. Known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company's material liquidity problem;
2. Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations;
3. The company is not aware of any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.
4. The company is not aware of any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with

unconsolidated entities or other persons created during the reporting period.

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

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

### **Plan of Operation**

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

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

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Number of Shares Represented

P R O X Y

KNOW ALL MEN BY THESE PRESENTS:

That I, the undersigned, a stockholder of Roxas and Company, Inc. (formerly CADP Group Corporation and referred to as the "Company"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, do hereby name, constitute and appoint **MR. PEDRO E. ROXAS**, or in his absence, the Chairman of the Meeting, as my continuing proxy, with right of substitution and revocation, to represent me and vote all shares registered in my name in the books of the Company or owned by me, at the Annual Meeting of Stockholders to be held on 09 March 2016 and any adjournment/s thereof, upon the following:

1. Approval of the Minutes of the Annual Stockholders' Meeting held on 25 February 2015
2. Presentation of the Annual Report to Stockholders
3. Ratification of all Acts and Proceedings of the Board of Directors and Management
4. Election of the Board Directors
5. Election of External Auditors
6. Other Matters
7. Adjournment

as fully to all intents and purposes as I might do if present and acting in person, with this proxy being suspended in every instance where I personally attend and formally register my presence at the meeting. This proxy revokes any and all proxies which I may have previously executed in favor of a person or persons other than that named above. This proxy shall remain in full force and effect until specifically revoked by me through notice in writing lodged with the Corporate Secretary of the Company before the scheduled time of the meeting.

IN WITNESS WHEREOF, I have hereto set my hand this \_\_\_\_ day of \_\_\_\_\_ 2016 in \_\_\_\_\_.

\_\_\_\_\_  
Signature Over Printed Name

\_\_\_\_\_  
Address of Stockholder

***(N.B. If this Proxy is issued by a corporation, it shall be in the form of a board resolution certified by the Corporate Secretary or, in lieu thereof, please attach the Secretary's Certificate quoting the board resolution authorizing the corporate officer to execute this Proxy.)***