SEC Registration Number

P	W	-	0	0	0	0	0	8	3	4

Company Name

ROXAS AND COMPANY, INC. AND SUBSIDIARIES

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
SEC Form 17-A	**CRMD**	**Not Applicable**

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
www.roxascompany.com.ph	**(02) 8810-8901 to 06**	**–**

No. of Stockholders	Annual Meeting Month/Day	Calendar Year Month/Day
3,301	**Last Wednesday of May**	**December 31**

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Atty. Monica Isabelle I. Villanueva	**miv@roxascompany.com.ph**	**(632) 8751-9537**	**–**

Contact Person's Address

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

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

.

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

1. As of and for the year ended: **31 December 2019**

2. SEC Identification Number: **PW- 00000834**

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

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

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

6. (SEC Use Only)
   Industry Classification Code

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

8. **(632) 8810-89-01 to 06**
   Registrant's telephone number, including area code

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

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

Title of Each Class and Amount of Debt Outstanding	Number of Shares of Stock Outstanding
Authorized Capital Stock	
Common	**₱3,375,000,000**
Preferred	**1,000,000,000**
No. of shares subscribed & outstanding:	
Common	**2,050,812,315**
Preferred	**500,000,000**
Amount of loans outstanding as of 31December 2019	**₱3,934,477,359**

Of the 2,911,885,870 subscribed and outstanding common shares, 1,791,542,534 common shares and 500,000,000 preferred shares were exempt securities under Section 10.1 of the SRC.

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

Yes [√] No [ ]

2,911,885,870 common shares are listed with the Philippine Stock Exchange (PSE).

12. Check whether the issuer:

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

Yes [√] No [ ]

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

Yes [√] No []

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

Assuming that the number of stockholdings of non-affiliates as of 31 December 2019 is 2,050,812,315 common shares and assuming further that the market bid price of the shares as of same date is ₽2.170 then the aggregate market value of the voting stocks held by non-affiliates as of said date is ₽4.5 Billion.

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

(a) Incorporated by reference in Part III on Financial Information is the Consolidated Financial Statements of Roxas and Company, Inc. and subsidiaries as at and for the year ended 31 December 2019.

PART I – BUSINESS

1. Business Development

Roxas & Company, Inc. (RCI) is the holding company for a group of companies with interests in (i) the real estate and hotel development and property management through its subsidiary, Roxaco Land Corporation (RLC), (ii) a minority stake in the sugar milling and ethanol manufacturing businesses of Roxas Holdings, Inc. (RHI), (iii) in coconut processing and exports through its subsidiary, Roxas Sigma Agriventures, Inc. (RSAI) and in (iv) renewable energy development. In addition to its various business interest, RCI holds approximately 2,495 hectares of investment property landholdings located in

Nasugbu, Batangas with significant areas under negotiation for exemption under the Comprehensive Agrarian Reform Program (CARP).

In November, 2013, RCI sold 31% of its equity interest in RHI to First Pacific Company, Ltd., a Hongkong based company but remained its biggest shareholder with 36% equity interest. RCI's equity interest was diluted to 23% as of December 2019 when it did not exercise its Stock Rights Option in 2016 and in the conversion of RHI's debt securities into common shares in 2017.

In December 2018, the SEC approved the corporate reorganization of RCI subsidiary, Roxaco Land Corp (RLC). The reorganization included the merger of RLC and Anya Hotels and Resorts Corporation with RLC as the surviving corporation. As part of the reorganization, RCI increased its equity in RLC by ₱60 million via conversion of its outstanding advances to common shares. In February 2019, Anya Hospitality Corp. (AHC), RLC's hotel management company was also merged with RLC. After the reorganization was completed, Anya Hotel and Resort Tagaytay and Anya Hospitality Corp operated as business units within RLC. Anya Hotel and Resort Tagaytay opened in 2017 with 80 hotel suites and a hotel core that operates its high-end facilities which include premium restaurants, heated pools, a library, function rooms, venues and lounges.

In December 2013, RCI's subsidiary, Roxaco Land Corporation (RLC) and Singapore based, VH Select Investments (Phil) Pte. Ltd. (VH Select) formed the joint venture company, Roxaco-Vanguard Hotel Corporation (RVHC) to build a minimum of five budget hotels under the "Go Hotels" brand through a franchise agreement with Robinsons Land Corporation. By 2017, five (5) Go Hotel sites located in Manila Airport Road, Cubao, Ermita, North EDSA and Timog were completed. In April 2018, VH Select sold its shareholdings to Asia Hospitality Private Capital Ltd., Singapore with RLC still maintaining 51% control of the JV Company. Consequently, the corporate name was changed to Roxaco-Asia Hospitality Corporation (RAHC) and was approved by the SEC in October 2018. In December 2019, RAHC signed an agreement to sell its Go Hotel Cubao site for P411 million in order to reduce debt and improve profitability.

RLC also has investments in Fuego Development Corporation (FDC), Fuego Land Corporation (FLC), Club Punta Fuego, Inc. (CPFI), Roxaco-ACM Development Corporation (RADC), SAMG Memorial Management and Services, Inc. (SMMSI).

RLC manages all its Go Hotel sites, Anya Hotel and Resort Tagaytay and Club Punta Fuego as well as third party hotels and resorts under various management agreements.

After completing most of its real property projects, RLC in 2016 started the development of Montana Residences, an 8.2 hectare housing project located in Palico, Nasugbu Batangas.

In May 14, 2015, RCI established Roxas Green Energy Corporation (RGEC), a wholly owned subsidiary to venture in renewable power generation. RGEC planned to develop solar power plants using the real properties owned by RCI in Nasugbu, Batangas. However, after completing the initial predevelopment requirements, permits and land preparations, RGEC deferred full development of the project and shifted to look for possible joint venture arrangements with major power firms.

In October 8, 2015, RCI entered into a Shareholders Agreement with Sigma Xynergies Corporation (SXC), a Filipino owned company and formed Roxas Sigma Agriventures, Inc. (RSAI) for the development of a 300 tons-per-day coconut processing plant in Tupi, South Cotabato. The plant is an advance processing facility to produce coconut cream/milk, virgin coconut oil and coconut water concentrate primarily for export. In 2016, RCI initially invested ₱215.0 Million in RSAI for 81.13% control of the company. RCI infused P21.5 Million additional capital in 2017 and another P200 Million.

In 2018 increasing its total equity to P436.5 million or 88.81% control of the company. Plant testing and commissioning started on the 3rd quarter of 2017. Commercial operations began in January, 2018. By March 2019, RSAI secured all key major international production and safety certifications required in the European as well as North and South American Markets that will enable it to fully market its products.

In December 2018, the SEC approved RCI's application to increase its authorized capital from 3.375 Billion to 4.375 Billion shares. The increase in capital stock reflected the creation of 1 Billion preferred shares with a par value of ₱1.00 per share.

In December 2018, RCI raised ₱500 million new equity through the issuance of preferred shares with a par value of ₱1.00 per share. The shares are redeemable after 2 years, with an option to extend by another 2 years. Dividend rate for the 1st years is at 8.5%. Proceeds from the equity raised were used to reduce bank debts and fund the group's operating requirements.

Distribution Methods of the Products or Services

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

RAHC through its hotel management, Anya Hospitality Group uses online digital channels, corporate and government direct selling, enrollment in online and local travel agencies and marketing direct to walk-in customers to generate hotel bookings.

RSAI, as a bulk producer, markets its products by initially positioning itself as major ingredient supplier to branded manufacturers, international brokers for its products and food service companies. It will eventually develop its own brand and enter into toll manufacturing when volumes have been developed and expanded for retail sale.

Competition

<u>For RLC</u>

RLC's real estate projects are located in Nasugbu, Batangas using its land bank to develop commercial and residential projects for the local area market. Anya Resort and Residences project in Tagaytay is its entry into the high-end residential and luxury hotel market outside Batangas.

The local property competitors in the area are Ayala Land, Robinsons Land and SM Investments.

<u>For RAHC</u>

All five GO Hotels are classified in the hotel and tourism industry as Economy or Budget Hotels. Major competitors considered in this category are the likes of Red Planet and Hop Inn International chains, local established chains such as Eurotel and other location – centric hotels with similar price points.

<u>For RSAI</u>

RSAI was established in 2015 to process 300 Metric Tons per day of raw coconuts to produce three major products for export: Coconut Water Concentrate; Virgin Coconut Oil and Coconut Milk / Cream. Major competitors within the region include Franklin Baker Inc., Peter Paul Philippines, Inc., Century Pacific Agri Ventures., Primex Foods, Inc., Celebes Foods, Inc., and Axelum (Fiesta Foods).

Sources and Availability of Raw Materials and Names of Principal Suppliers

For its hotel operations, RAHC and Anya uses accredited third-party service providers for its laundry service requirements, security, and housekeeping.

RSAI's main raw materials of dehusked coconuts, are sourced from farmers, buying stations or consolidators within the area of South Cotabato, Saranggani, North Cotabato and Lanao del Sur. Packaging materials such as drums and corrugated boxes are purchased locally.

Patents, Trademarks and Copyrights

RLC secured registration of its trademark project "Anya Resort and Residences" with the Intellectual Property Office of the Philippines.

RLC also owns the trademarks for all the logos of "Anya" and "Fuego" brand.

For RAHC, the use of "Go Hotels" Trademark/Logo is covered by the terms and conditions of the Franchise Agreement with Robinsons Land Corporation.

Need for Government Approvals of Principal Products or Services

As part of the normal course of business, RLC 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.

RSAI secured approval from Food and Drug Administration in order to operate and sell products legally. It has likewise secured various international certifications as required by foreign buyers such as USFDA, Halal, HACCP, Kosher, Organic, GMP, Food Safety System Certification (FSSC) and BRC Certification.

RGEC secured a service contract with Department of Energy to have the exclusive right to explore, develop or utilize a particular renewable energy (i.e. solar energy) contract area in Nasugbu, Batangas. It has likewise secured BOI registration to qualify for tax incentives for the project. I

Effect of Existing or Probable Governmental Regulations

<u>For RLC</u>
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.

Value Added Tax System

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

For RGEC

RGEC, being in the Renewable Energy (RE) industry, is covered by the *Renewable Energy act of 2008* (Republic Act No.9513) which provides substantial incentives and privileges such as VAT zero-rated sales and income tax holiday for a period of 7 years from the start of commercial operations.

For RSAI

RSAI, being a BOI registered company, is entitled to import duty exemption of its capital equipment and income tax holiday for six (6) years from the start of commercial operations or January 2017, whichever is earlier. RSAI is also entitled to zero-rated VAT on export sales.

Costs and Effects of Compliance with Environmental Laws

RLC secures the required Environmental Compliance Certificates for all of its real property developments.

RGEC, RAHC and RSAI also secured the required Environmental Compliance Certificates before commencement of commercial operations.

Total Number of Employees and Number of Full-Time Employees

As of 31 December 2019, RCI, the Holding Company has four (4) executives and fourteen (14) employees.

RLC, on the other hand, has three (3) executives and fifty seven (57) employees which include the real estate and Anya Hospitality Groups. Anya Resort Hotel Tagaytay has 1 executive and 69 employees

RAHC has eighty four (84) employees while RSAI has two (2) executives and one hundred sixty-one (161) employees.

RGEC has no full time employees yet as it is still at the pre-operating stage.

Property

The Company's investment property landholding located in Nasugbu, Batangas has an approximate land area of more or less 2,945 hectares with total appraised value of P6,011 Million as of December 2019 and P5,280 million as of December 31, 2018. About 2,300. hectares of these properties were covered by the Comprehensive Agrarian Reform Program (CARP) with a significant portion currently under an application for exemption with the Department of Agrarian Reform.

The Company is likewise the registered owner of a 1,030 sqm office condominium unit located at the 7th Floor of Cacho-Gonzales Building, 101 Aguirre Street, Legaspi Village, Makati City. It has a carrying value of ₱790,308 while fair market value is at ₱78.28 million as of December 31, 2019. The property is currently used as collateral for the long-term loan of its subsidiary, RLC.

Real Estate

As of December 31, 2019, RLC's real estate for sale and development, consisting of real estate properties for sale, raw land and land improvements, amounted to ₱536.1million. These properties are also used as collateral to secure the loan obligations of the Company.

RAHC

RAHC's (5) Go Hotels have a total land area of 4,933 sqm located in Parañaque, North EDSA, Malate, Cubao and Timog, Quezon City. The first five Go Hotels are situated on these sites and have a total appraised values ₱2,420.13 million as at December 31, 2019. These properties were used as collateral for the long-term borrowings of the Company. In December 2019, an agreement to sell the Go Hotel Cubao for P411 million was signed and was fully paid by February 2020.

RSAI
RSAI is the owner of the 21,945 sqm land located in Purok 10, Poblacion, Tupi, South Cotabato wherein the Coconut Processing Plant is situated and used as collateral for the long-term borrowings 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 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 CARP exemption of its three Haciendas in Nasugbu based on Presidential Proclamation No. 1520 which declared the entire municipality of Nasugbu as a tourist zone. RCI likewise filed exemption applications for smaller areas based on the 1982 Zoning Ordinance of Nasugbu, Batangas.

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

On February 08, 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 not been acted upon, primarily because it took the DOT some time to promulgate the Implementing Rules and Regulations ("IRR"). However, in July 2011, the IRR was published in newspapers of general circulation and the same took effect on 01 August 2011. At present, RCI's application is still pending with the TIEZA.

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

On 20 September 2011, RCI received from the Supreme Court a Decision dated 05 September 2011[2] affirming the exemption of a 21.1236-hectare property from CARP. The exempt property consists of 27 parcels of land located in Barangay Aga, Nasugbu, Batangas.

There are three[3] other CARP-related cases that are pending with the Provincial Adjudicator (PARAD) of Western Batangas and the Department of Agrarian Reform (DAR).

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

On October 16, 2013, the DAR ordered the denial of the Protest. On December 9, 2013, the Company filed a Motion for Reconsideration (MR) with the DAR. On April 15, 2014, the DAR denied the MR of RCI.

On June 27, 2014, RCI filed a Petition for Certiorari with the Court of Appeals (CA). On 25 October 2017, the Court of Appeals rendered a Decision on the Petition for Certiorari filed by RCI. In its Decision, the Court of Appeals partially granted RCI's Petition. In particular, the CA nullified and set aside the Order and Resolution dated 16 October 2013 and 15 April 2014, respectively, of the Department of Agrarian Reform. It also nullified the Notice of Coverage published by the DAR on 22 October 2012. The CA further remanded the case back to the DAR for purposes of issuing a new Notice of Coverage after determining specific portions of the haciendas that should be covered by the Agrarian Reform Law. However, the CA did not order the cancellation of the existing CLOAs over the properties of RCI that were issued pursuant to the nullified Notice of Coverage. Thus, RCI filed a partial Motion for Reconsideration of the Decision of the CA on 22 November 2017. In its MR, RCI prayed that: (i) the CA cancel all the CLOAs covering the properties covered by the 1999 Roxas case; (ii) To order the DAR to act on the pending applications for exemption/exclusion/conversion; and (iii) For Respondents to cease and desist from committing any act that involves the coverage of the subject properties pending the final resolution of the applications of RCI with the DAR.

On 05 June 2017, the DAR dismissed the application of RCI for exemption/exclusion of a total of 685 h.a. from CARP coverage. The DAR dismissed the application on purely technical grounds. Thus, RCI filed a Motion for Reconsideration on 14 August 2017. This MR has not been resolved by the DAR to date.

---

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

[3] 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. This case is now final and executory but the DAMBA filed a Petition for Relief from Judgment which is still pending resolution of the Office of the Secretary of DAR; (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.

On 29 November 2017, the DAR denied RCI's Motion for Reconsideration of the denial of an application for exemption over a total of 285 h.a. for being agricultural in nature. The DAR found that there was no reversible error that would justify a reconsideration of the denial of exemption. Consequently, RCI filed an Appeal with the Office of the President on 22 January 2018. The Appeal is still currently pending before the Office of the President.

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

There are pending legal cases as of December 31, 2019. None of these contingencies are discussed in detail so as not to seriously prejudice the Group's position in the related disputes.

Real Estate

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

Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders at the last annual meeting.

PART II – SECURITIES OF THE REGISTRANT

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

1. Market Information.

The Company has 2,911,885,870 common shares listed and traded in the Philippine Stock Exchange under the trading symbol "RCI". Out of the total common shares listed, 861,073,555 are treasury shares. The Company also has 500,000,000 preferred shares subscribed and fully paid-up.

(a) High and low share prices for the year ended December 31, 2019.

	High	**Low**
January 2017-March 2017	2.37	2.00
April 2017-June 2017	2.40	1.85
July 2017-September 2017	2.34	1.92
October 2017-December 2017	3.30	1.92
January 2018 – March 2018	2.88	1.88
April 2018 – June 2018	2.85	1.82
July 2018 – September 2018	2.95	2.02
October 2018 – December 2018	2.65	1.77
January 2019 – March 2019	2.21	1.70
April 2019 – June 2019	1.78	1.38
July 2019 – September 2019	1.97	1.30
October 2019 – December 2019	2.22	1.74

(b) Holders. There are 3,301 holders of the Company's listed shares as of 31 December 2019. The top twenty (20) holders of the Company's common shares as of said date are:

	STOCKHOLDERS	NATIONALITY	TOTAL SHARES	%
1	SPCI Holdings, Inc.	Philippine National	692,779,593	33.78%
2	Pesan Holdings, Inc.	Philippine National	326,921,001[4]	15.94%
3	PCD Nominee Corporation	Philippine National	279,308,363	13.62%
4	PCD Nominee Corporation (Non-Filipino)	Other Alien	258,321,844	12.60%
5	Cisco Holdings, Inc.	Philippine National	112,500,000	5.49%
6	CRE Holdings, Inc.	Philippine National	112,500,000	5.49%
7	IÑIGO Holdings, Inc.	Philippine National	112,500,000	5.49%
8	SRE Holdings, Inc.	Philippine National	112,500,000	5.49%
9	Pesan Holdings, Inc.	Filipino	13,606,519	.66%
10	Rizal Commercial Banking Corporation	Philippine National	3,048,161	0.15%
11	Antonio Roxas Chua	Filipino	2,379,610	0.12%
12	Mari Carmen R. Elizalde	Filipino	1,361,241	0.07%
13	Santiago R. Elizalde	Filipino	1,210,930	0.06%
14	Carlos Antonio R. Elizalde	Filipino	1,200,320	0.06%
15	Francisco R. Elizalde	Filipino	1,200,320	0.06%
16	Central Azucarera dela Carlota Retirement Trust Fund	Philippine National	1,178,400	0.06%
17	Pedro E. Roxas	Filipino	937,892	0.05%
18	Equitable Securities FAO Inigo Elizalde	Filipino	933,810	0.05%
19	Severo A. Tuazon & Company, Inc.	Filipino	537,000	0.03%
20	Dolores Teus De M. Vara Rey	Filipino	488,020	0.02%
	SUBTOTAL		**2,035,413,024**	**99.25%**
	OTHER STOCKHOLDERS		15,399,291	.75%
	GRAND TOTAL		**2,050,812,315[5]**	**100.00%**

2. Dividends.

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

Declaration Date	*Dividend Per Share*	*Record Date*	*Payment Date*
29 June 2006	₱ 0.06	14 July 2006	31 July 2006
5 October 2006	0.06	19 October 2006	10 November 2006

[4]This does not include the 191,291,547 shares beneficially owned by Pesan Holdings, Inc. (PHI) but owned on record by the PCD Nominee Corporation, the top 17 stockholder. Mr. Pedro E. Roxas is the controlling stockholder of Pesan Holdings, Inc. (PHI). In total, Mr. Pedro E. Roxas owns, directly and indirectly, 341,465,412 RCI shares representing 17.26% of the subscribed capital stock

[5]The treasury shares amounting to 861,073,555 registered under PCD Nominee Corporation were excluded from the grand total.

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
18 December 2015	0.01	15 January 2016	05 February 2016

The Company has not declared dividends to common shares in the recent years. However, it did declare dividends to the preferred shares as follows:

Declaration Date	*Dividend Per Share*	*Record Date*	*Payment Date*
10 May 2019	₽ 0.04	28 May 2019	31 May 2019
10 May 2019	0.02	08 August 2019	13 August 2019
10 May 2019	0.02	06 November 2019	13 November 2019

3. Recent Sales of Securities.

In December 2018, Amalgamated Investments Bancorporation subscribed to Five Hundred Million (500,000,000) preferred shares of stock of the Company for ₱500,000,000.00.

RCI reissued and sold to the stock market 46,724,908 treasury shares at an average price of ₱1.99 per share for ₱93.08 Million. The proceeds were used for the group's working capital and debt servicing.

4. Description of Registrant's Securities.

The authorized capital stock of the company is ₽4,375,000,000 divided into 3,375,000,000 common shares with ₽1.00 par value a share and 1,000,000,000 preferred shares with par value of ₱1.00 per share.

Preferred shares are non-voting, redeemable at the option of the Board of Directors, with preference over dividends and are re-issuable.

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.

Calendar year 2019
Corporate Updates

RLC completed its corporate reorganization that it started in 2018 that include merging Anya Hotels and Resorts Corporation and Anya Hospitality Corporation, the hotel management subsidiary into RLC. In December, 2018 as part of RLC's reorganization, RCI increased its equity in RLC by ₱60 Million via conversion of outstanding advances to common shares.

As of 31 December, 2019 RCI made a P169.4 Million additional advances to RSAI to support its working capital requirements and debt servicing.

RGEC has requested for an extension in the completion of the development of its solar power project from the Department of Energy (DOE) while it continues to search for an investor partner to continue the project

In December, 2018, RCI raised ₱500 Million in equity through a subscription agreement with Amalgamated Investments Bancorporation for 500 million preferred shares with a par value of ₱1.00 per share. The shares are redeemable after 2 years with an option to extend by another 2 years. Dividend rate for the 1st year is at 8.5%. The proceeds from the equity raised were used to prepay bank debts and to fund the group's working capital requirements.

For 2019, the group raised significant funds and profits from the sale of assets and treasury shares as part of its plan to reduce overall debt and to support its working capital requirements which include the following:

1. 46,724,908 RCI Treasury shares for P93.08 Million
2. 2.7 hectare Palm Estate, Nasugbu property for P94.56 Million
3. 6.67 hectare Natipuan, Nasugbu property for P106.11 Million
4. 12.8 hectare Caylaway, Nasugbu property for P192.59 Million
5. Go Hotel Cubao Assets, including the building, FF&E and machinery for P411 Million

Results of Operation

Consolidated revenues for the year amounted to ₱833.8 million from real estate sales of ₱236.8 million, hotel revenues from Go Hotels and Anya Resort of ₱460.1 million and RSAI's exports of ₱136.9 million.

Gross profit for the year increased to ₱340.3 million or 40.28% of sales.

Operating expenses decreased to ₱421.47 million or by 19% due to cost saving measures implemented by the Company.

Equity in net loss of ₱388.2 million represents the 23% share in the net loss of RHI.

Financing cost for the year of ₱291.74 million was due to higher interest rates on debts to fund working capital and capital assets.

Other income of ₱966.87 million represent fair value gain from investment properties totaling ₱763.4 million, gain from sale of investment property of ₱188.0 million while the balance came from sale of coconut by-products, realty interest and forfeited reservation deposits.

Consolidated net income for the year amounted ₱175.8 million.

Financial Position

Consolidated total assets amounting to ₱13,564.0 million as at December 31, 2019 is 3.67% or ₱480.0 million higher than ₱13,084.0 million as at December 31, 2018.

Comparative debt to equity (D/E) ratio as of December 2019 versus December 2018 decreased from 0.66:1 to 0.59:1 and continuous to be within the allowable 0.75:1 DE ratio required by banks for term loans.

Book value per share is at ₱3.92 as at December 31, 2019.

Trade and installment receivables increased by ₱123.9 million from ₱207.9 million to ₱331.8 million due to sales of realty and investment property assets.

Consolidated long and short term debts decreased by ₱103.0 million from ₱4.037B to ₱3.942B due to repayment from collections and proceeds from sales of properties.

Total equity amounting to ₱8,542.9 million as at December 31, 2019 increased by ₱393.7 million from December 31, 2018, mainly due to the net income of the company for the year.

Other than the matters discussed above, there are no:

- 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

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

1. *Gross profit.* This is recognized in full when the collection of the total contract price reached 10% on real estate sales. At this stage, it is reasonably assured that the risks and benefits over the developed assets have been transferred to the lot buyer. In manufacturing and hotel industry, this is the margin on the revenue net of cost of sales.

2. *Export Sales and lots sold*. Export sales represent revenues from products sold by its Coconut processing business while lot sold and the terms of the sale will determine when income would be recognized and how much is the potential income to the Group.

3. *Hotel occupancy and average daily room rate (ADR)*. These represent the key factors that determines the average rental income per paid occupied room in a given time period. ADR along with the property's occupancy are the foundations for the property's financial performance.

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

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

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

Performance Indicator	For the Period Ended December 31, 2019 (One Year)	December 31, 2018 (One Year)	December 31, 2017 (One Year)
Gross profit	₱340.3 million	₱ 192.2 million	₱232.9 million
Number of lots sold / reserved	21 units residential/ 153 memorial	89 units residential/ 193 memorial	273 units residential/ 126 memorial
Export Sales of coconut products	₱136.9 million	₱ 48.4 million	-

Hotel occupancy and average daily room rate			
- *Anya Hotel*	45% / ₱5,738	37% / ₱5,472	27% / ₱5,517
- *Go Hotels*	59% / ₱1,505	46% / ₱1,514	40% / ₱1,468
EBITDA	₱229.0 million	(₱181.0 million)	(₱19.1 million)
Return on equity	2.07%	1.94%	(2.32%)

Key Variable and Other Qualitative and Quantitative Factors

1. The Group is aware of any known trends, events or uncertainties that will result in or that are reasonably likely to result in any material cash flow or liquidity problem.
2. The Group is aware of any events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.
3. The Group is not aware of any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.
4. Other than its ongoing realty project developments, Hotel operations and Coconut export operations, the Group is not aware of any known trend, events or uncertainties that will have material impact on sales.
5. Other than matters previously discussed, the Group is not aware of causes for any material changes from period to period in the financial statements.

Plan of Operations

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

- Limit the land development of Hacienda Palico to the ongoing residential project in Nasugbu, Batangas in 2020.
- To develop new customers and increase export sales of RSAI to maximize plant capacity.

PART III – MANAGEMENT AND SECURITY HOLDERS

1. Incumbent Directors and Officers of the Issuer

Pedro E. Roxas, Filipino, is the Chairman of the Board of Directors. 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 held the position of President and Chief Executive Officer of the Company until 16 December 2016. 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 he is a Trustee of Roxas Foundation, Inc. and 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.

Fernando L. Gaspar, Filipino, is the President and Chief Executive Officer. He also holds the position of Head COB Aviation of ICTSI. He previously served as the Senior Vice President and Chief

Administration Officer of International Container Terminal Systems, Inc. (ICTSI). Apart from this, Mr. Gaspar also served as: Managing Director of Alvarez & Marsal, Inc., Philippine Country Manager for the KUOK Group, President and CEO of KUOK Philippine Properties, Inc., President and CEO of KSA Realty Corporation, President of Shangri-la Hotels, President and COO of KPPI Land Corporation, President and COO of EDSA Properties Holdings, Inc., Vice-Chairman and Managing Director and President and COO of Shangri-la Plaza Corp., Executive Vice-President of KUOK Philippine Properties, Inc., Vice-President of Planning and Finance of San Miguel Holdings Limited Vice-President (China Business Development) of San Miguel Brewing International Limited, Managing Director of San Miguel Brewery Ltd, Chairman of the Board of Guangzhou San Miguel Brewery Ltd., Finance Controller and Company Secretary of San Miguel Brewery Ltd., Sr. Assistant Vice President & Business Development Manager for the Packaging Products Division of San Miguel Corporation, Sr. Assistant Vice President & Manager of the Cash Management Department of San Miguel Corporation. He was educated at the De La Salle University, where he took his undergraduate course in Chemical Engineering. He also took post-graduate courses at the INSEAD Asian Studies Centre, Fontainebleu, France, the Stanford University Graduate School of Business and the Columbia University Graduate School of Business.[6]

Corazon S. de la Paz-Bernardo is Honorary President of the Swiss-based International Social Security Association (ISSA), where she served as President from 2004 to 2010. She served as the first woman President of the Social Security System of the Philippines from 2001 to 2008. She is also the first woman partner of Price Waterhouse International and was Chairman and Senior Partner of Joaquin Cunanan & Co. (PricewaterhouseCoopers, Philippines) from 1981 to 2001. She 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 The Philippine Health Insurance Corporation, The Home Development Mutual Fund (PAGIBIG), San Miguel Corp., PLDT, Ayala Land, Ionics Inc., Phinma Energy Inc., Phinma Petroleum & Geothermal Inc. and Philex Mining and was Chairman of NAMFREL for the 2013 elections. She is a member of the boards of directors of Del Monte Philippines, Inc., Republic Glass Holdings, Inc., D&L Industries, Inc., Roxas & Co., Inc. and Phinma Education Holdings Inc. She is an advisor to the board and audit committee of BDO Unibank, Inc. and advisor to the board audit committee of PLDT. She is Vice-Chairman of Jaime V. Ongpin Foundation, Chairman of Jaime V. Ongpin Microfinance Foundation and Vice Chairman of Shareholders Association of the Philippines. She is also a life member of the Cornell University Council, a member of the boards of trustees of the University of the East, the UE Ramon Magsaysay Memorial Medical Center, Miriam College, the Philippine Business for Education, MFI Polytechnic Institute, and Laura Vicuna Foundation for Street Children, among others. She had served as National President of the Philippine Institute of CPAs, the Management Association of the Philippines, the Financial Executives Institute of the Philippines, Cornell Club of the Philippines, The Outstanding Women in the Nation's Service (TOWNS), the Rizal High School Alumni Association and the Philippine Fulbright Scholars Association. She had been a trustee of the Makati Business Club, the Philippine Business for the Environment, the Philippine Business for Social Progress and Children's Hour. She is an awardee of The Outstanding Filipino (TOFIL) in Public Accounting, The Outstanding Women in the Nation's Service (TOWNS), the Outstanding Professional in Public Accounting by the Professional Regulatory Commission and the Philippine Fulbright Program. A Certified Public Accountant, she 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

[6]Mr. Gaspar was elected by the Board of Directors of the Company as its new President and Chief Executive Officer on 16 December 2016.

University in New York as a Fulbright grantee and UE CPA topnotcher scholar. She was awarded a Doctor of Humanities degree (Honoris Causa) by the University of the Cordilleras in 2017.

Carlos R. Elizalde is 52 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 Corporation formerly Elro Commercial & Industrial Corp., a family owned Corporation engaged in Agribusiness, Elro Land Inc. an affiliate company owned corporation engaged in real estate business and Twenty Fours Hours Vendo Machine Corporation, also an affiliate company owned corporation engaged in vendo machine business, Vice President of Elro Trading Corp. and Executive Vice president of Bais Multifarms, Inc. He is one of the directors of SPCI Holdings, Inc., Central Azucarera de la Carlota, Inc., Association Agricola de Bais Y Tanjay, BATAMA Marketing Cooperative and ELRO BPO Services, Inc. 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 52 years old and is a Filipino. He was elected as member of the Board of Directors on 25 June 2009. Mr. Elizalde is the President and CEO of Elro Retail Corporation, Vice President/Managing Director of ELRO Corporation. He is Chairman of ASpace Corporation, a Director in SPCI Holdings, Inc., ELRO Land, Inc., Roxaco Land Corporation, Club Punta Fuego, Inc., and Hoppler Corporation. Mr. Elizalde was educated at Portsmouth Abbey School, USA and at the University of Vermont, USA where he obtained a degree as Bachelor of Science.

Guillermo D. Luchangco is 80 years old and is a Filipino. Mr. Luchangco is the Chairman of the Compensation Committee of RCI. He is the Chairman of the Investment & Capital Corporation of the Philippines ("ICCP"). He is the Chairman and Chief Executive Officer of the ICCP Group of Companies which includes: Pueblo de Oro Development Corporation, Science Park of the Philippines, Inc., Regatta Properties, Inc., ICCP Venture Partners, Inc., ICCP Holdings, Corp., Cebu Light Industrial Park, Inc., RFM-Science Park of the Philippines, Inc., ICCP-SBI Venture Partners, Inc.; Chairman and President of Beacon Property Ventures, Inc.; Chairman of Manila Exposition Complex, Inc.; and Director of Phinma Corp., Ionics, Inc., Ionics EMS, Inc. and Ionics EMS, Ltd. Mr. Luchangco is an independent director of the Company since he was first nominated and elected to the Board of Directors on 18 November 2009.

Aurelio R. Montinola III is Chairman and Trustee of Far Eastern University (FEU) and FEU High School and Vice Chairman and Trustee of the Philippine Business for Education (PBED) Inc. He served as the President and CEO of Bank of the Philippine Islands from 2005 - 2013, and exited with BPI as the only Philippine bank rated Investment Grade by Fitch Ratings. He was twice awarded (2005 and 2009) the Asian Banker Leadership Achievement Award for the Philippines, and served as President of the Bankers Association of the Philippines from 2008 - 2012. Among others, he remains Director of BPI, BPI Family Savings Bank, Inc., BPI Capital Corporation, BPI Direct BanKO, Inc. and BPI/MIS Insurance Corp. and Director of Western Resources Corporation. He is the Chairman of Nicanor Reyes Education Foundation, Inc., East Asia Computer Center Inc. He is also the Chairman and Director of FEU Alabang, Amon Trading Corporation, Armon Realty, Inc. Monti-Rey, Inc., Derrc, Inc, Desrey, Inc. and Seyrel Investment & Realty Corporation. Other affiliations include: Chairman, Roosevelt College, Inc.; Vice Chairman and Director of Mere, Inc.; Chairman, President and Director of Amanda Carina Holdings, Inc.; Trustee, Pres. Manuel A. Roxas Foundation and Anita Magsaysay Ho Foundation; Member of Philippine Trade Foundation, Inc., and Vice President, Management Association of the Philippines where he received the MAP Management Man of the Year Award in 2012. He graduated BS Management Engineering at the Ateneo de Manila in 1973, and MBA at the Harvard Business School in 1977.

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

Corporate Officers

Armando B. Escobar is 60 years old and is a Filipino. He is the Executive 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. Served as President of Vitarich Corporation; Senior Vice President- Head of Operations & Special Accounts Management Group of the Philippine Bank of Communications; was a Director of Bancnet. Mr. Escobar obtained his Bachelor of Science in Business Management in Ateneo de Manila University and Post-Graduate studies under the Strategic Business Economics Program in the University of Asia and the Pacific.

Santiago R. Elizalde, Filipino, is the President/CEO of the Company's wholly-owned subsidiary, Roxaco Land Corporation. Mr. Elizalde is likewise the President and Chief Operating Officer of Roxaco-Asia Hospitality Corporation. He also serves as the Chairman of the 24 Hour Vendo Machine Corporation, Vice-Chairman and member of the Executive Committee of ELRO Corporation and Club Punta Fuego, Inc., President of CGB Condominium Corporation, Chairman of Roxas Foundation, Inc., and Director of ELRO Land Corporation, Punta Fuego Village Homeowners Association, Inc., Punta Fuego Village Foundation and Terrazas de Punta Fuego Village Homeowners, Inc. and Fundacion Santiago. Mr. Elizalde obtained his Bachelor of Arts in Economics from Denison University in Ohio, USA.

Peter D. A. Barot is 58 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.

Monica Isabelle I. Villanueva[7]**,** Filipino, is the Assistant Corporate Secretary and Compliance Officer of the Company. She is also the Corporate Secretary of Roxaco Land Corporation. Prior to joining the Company, she worked as an Associate Lawyer in Ocampo and Manalo Law Firm and served as Director and Corporate Secretary for several domestic corporations, including PRIME Media Holdings, Inc. She obtained her Bachelor's Degree in Legal Management with a Minor in International Business from Ateneo de Manila University and thereafter obtained her Juris Doctor from the same university. She became a member of the Philippine Bar in April 2009.

Significant Employees

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

Family Relationships

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

Messrs. Santiago R. Elizalde (President of RLC), Francisco Jose R. Elizalde and Carlos R. Elizalde are brothers.

[7] Atty. Monica Isabelle I. Villanueva was appointed as Asst. Corp. Sec. and Compliance Officer of the Company on 27 October 2016.

Legal Proceedings

No director, independent director, executive officer or senior officer of the company, during the past five (5) years, has been subject to:

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

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

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

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

Certain Relationships and Related Transactions

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

Messrs. 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.

Messrs. Pedro E. Roxas is also a director of RHI. As of 31 December 2017, the Company owns 23% of the total issued and outstanding capital of RHI.

Parent Company

As of 31 December 2019, the Company directly owns 100% of the issued and outstanding shares of Roxaco Land Corporation (RLC), Nasugbu Feeds Corporation, United Ventures Corporation and Roxas Green Energy Corporation, 88.81% of the issued and outstanding shares of Roxas Sigma Agriventures, Inc. and 23% of the total issued and outstanding shares of Roxas Holdings. Inc. (RHI).

As of 31 December 2019, RLC still owns 100% of the total and outstanding shares of SAMG Memorial Management and Services, Inc. It has interests in Fuego Development Corporation (30%), Fuego Land Corporation (30%), Roxaco-ACM Development Corporation (50%), Club Punta Fuego, Inc. (25%), Roxaco-Asia Hospitality Corporation (51%) and Brightnote Assets Corporation (10%).

RHI, a publicly-listed company, owns 100% of the issued and outstanding shares of Central Azucarera Don Pedro, Inc. (CADPI), Central Azucarera de la Carlota, Inc. (CACI), Roxol Bioenergy Corporation. It also has interests in Hawaiian-Philippine Company (45.09%), Najalin Agri-Ventures, Inc. (95.82%), San Carlos Bioenergy, Inc. (93.35%) and Roxas Power Corporation (50%).

Disagreement with the Company

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

2. Executive Compensation

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

a) Section 7 of Art. 3 of the Amended By-Laws of the Company provides that the members of the Board of Directors and the Executive Committee shall be given a per diem for every meeting attended in such amount as may be determined by the Board of Directors but in no case shall said remuneration exceed two (2%) of the net income of the Company before tax. Presently, the members of the Board of Directors receive ₽50,000 for every regular meeting attended, broken down as follows: ₽25,000 in cash and shares in such numbers equivalent to the ₽25,000 balance. For special meetings of the Board, a director will be given a per diem of ₽25,000 cash. A director of the Company who attends all meetings receives a total of roughly ₽200,000 annually. Each of the members of the four committees--(i) Audit and Risk; (ii) Nomination, Election and Governance; (iii) Compensation; and (iv) Related Party Transactions--also receive a per diem of ₽20,000 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*
		FY 2019			
A	Pedro E. Roxas – Executive Chairman		₽ -	₽ -	₽200,000
B	Fernando L. Gaspar - President and CEO				200,000
C	Armando B. Escobar – EVP, CFO and Risk Management Officer, Treasurer				
D	Monica Isabelle I. Villanueva – Legal Manager / Compliance Officer				
E	CEO and Top Four Executives		₽24,438, 528	₽2,036,544	400,000
F	All officers & directors as group unnamed		₽28,564,128	₽2,380,344	₽1,250,000

*Director's fees

c) Estimated Compensation and Bonus for CY 2020

The estimated compensation and bonus of the directors and present officers of the Company for calendar year 2019are as follows:

		Salary	Bonus	Other Annual Compensation
A	Pedro E. Roxas – Executive Chairman	₱ -	₱-	₱-
B	Fernando L. Gaspar - President and CEO	-	-	-
C	Armando B. Escobar – EVP, CFO and Risk Management Officer, Treasurer	-	-	-
D	Monica Isabelle I. Villanueva – Legal Manager / Compliance Officer			
E	CEO and Top Four Executives	₱28,000,000	₱2,500,000	
F	All officers & directors as group unnamed	₱33,000,000	₱3,500,000	₱1,400,000

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

(a) Security ownership of certain record and beneficial owners of more than 5% of the Company's securities, both listed and not listed, as of December 31, 2019:

Title of Class	*Name and Address of Owner/Relationship with Issuer*	*Name of Beneficial Ownership and Relationship with Record Owner*	*Citizenship*	*Number and Nature of Ownership*	*Percent of Class*[8]
Common	SPCI Holdings, Inc. 4F New Solid Bldg. 357 Sen Gil Puyat Ave. Makati City	SPCI Holdings, Inc.[9]	Philippine National	692,779,593 (direct)	33.78%
Common	Pedro E. Roxas 7/F CG Bldg., 101 Aguirre St., Legaspi Village, Makati City Executive Chairman	Pedro E. Roxas/ Pesan Holdings, Inc.	Filipino/ Philippine National	554,567,335 (direct & indirect)	27.04%
Common	PCD Nominee Corporation (Filipino)		Other Alien	258,321,844	12.60%

[8]The percentages of shareholding were arrived at by dividing the number of shares owned, directly and indirectly, by the shareholders over 1,978,182,356 common shares, the total outstanding shares as of 31 December 2017.

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

Common	CISCO Holdings Inc. Unit 1701, The Peak Tower 107 Leviste St., Salcedo Village, Makati City	Francisco R. Elizalde	Philippine National	112,500,000	5.49%
Common	CRE Holdings, Inc. Unit 1701, The Peak Tower 107 Leviste St., Salcedo Village, Makati City	Carlos R. Elizalde	Philippine National	112,500,000	5.49%
Common	IÑIGO Holdings, Inc.	Iñigo R. Elizalde	Philippine National	112,500,000	5.49%
Common	SRE Holdings, Inc.[10]	Santiago R. Elizalde	Philippine National	112,500,000	5.49%
TOTAL				**1,955,668,772**	**95.36%**

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 2019, 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.

(b)Security Ownership of Management as of 31 December 2019.

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 December 31, 2019:

Title of Class	*Name of Beneficial Owner*	*Citizenship*	*Number and Nature Of Ownership*	*Percent of Class*
Common	*Pedro E. Roxas* *Executive Chairman*	*Filipino*	554,567,335*(direct* *indirect)*	*27.04%*
Common	*Carlos Antonio R. Elizalde*[11] *Director*	*Filipino*	*1,200,320 (direct)* *824,042,441*[12] *(indirect)*	*0.06%* *(direct)*

[10]SRE Holdings, Inc., INIGO Holdings, Inc., CRE Holdings, Inc., and CISCO Holdings, Inc. are the personal holding companies of the respective indicated beneficial owners, who in turn are the stockholders of SPCI Holdings, Inc.

[11]Messrs. Carlos R. Elizalde and Francisco Jose R. Elizalde each own 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. To be exact, Messrs. Carlos and Francisco Elizalde each hold 8.136% indirect ownership of the Company's shares.

[12]Mr. Carlos R. Elizalde is a shareholder of SPCI Holdings, Inc. (owner of 692,779,593 shares),CRE Holdings, Inc. (owner of 112,500,000 shares) and ELRO Retail Corp (owner of 18,604,651 shares). 642,204 shares.

Common	*Francisco Jose R. Elizalde[13] Director*	*Filipino*	*1,203,013 (direct) 824,526,448[14](indire*	*0.06% (direct)*
Common	*Corazon S. De la Paz-Bernardo Independent Director*	*Filipino*	*152,079 (direct)*	*0.00%*
Common	*Guillermo D. Luchangco Independent Director*	*Filipino*	*130,594 (direct)*	*0.00%*
Common	*Fernando L. Gaspar President / CEO*	*Filipino*	*398,254 (direct)*	*0.00%*
Common	*Aurelio R. Montinola, III Independent Director[15]*	*Filipino*	*60,868 (direct)*	*0.00%*
Common	*Armando B. Escobar Executive Vice-President / Chief Finance and Risk Management Officer/Treasurer*	*Filipino*	*0*	*0.00%*
Common	*Peter D. A. Barot Corporate Secretary*	*Filipino*	*0*	*0.00%*
Common	*Monica Isabelle I. Villanueva Asst. Corp. Secretary*	*Filipino*	*0*	*0.00%*
Common	*Directors and Officers As a Group*		*344,607,847*	*17.20%*

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

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

d) Change in Control

[13]Please see footnote no. 10.

[14]Mr. Francisco R. Elizalde is a shareholder of SPCI Holdings, Inc. (owner of 692,779,593 shares), CISCO Holdings, Inc. (owner of 112,500,000 shares) and ELRO Retail Corp. (owner of 18,604,651 shares). 642,204 are PCD lodged shares.

[15] Mr. Aurelio Montinola III was appointed as Independent Director on 16 December 2016.

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.

PART IV-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, 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.

On 12 May 2017, the Board approved the Revised Manual on Corporate Governance. The revisions in the updated Manual included revisions recommended for Publicly Listed Companies as provided in SEC MC No. 19, Series of 2016.

The Company has not deviated from nor 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.

PART V - EXHIBITS AND SCHEDULES

Exhibits and Reports on SEC Form 17-C.

(a) Exhibits

Certified Consolidated Financial Statements as of and for the year ended December 31, 2019.

b) Reports on SEC Form 17-C.

The following were filed in the last 6 month period covered by this report, to wit:

1. On 29 May 2019, the shareholders of Roxas and Company, Inc, (RCI), in its annual meeting, unanimously elected the following persons to the Board of Directors of RCI to serve as such until their successors are elected:

Mr. Pedro O. Roxas
Mr. Fernando L. Gaspar
Mr. Carlos R. Elizalde
Mr. Francisco R. Elizalde
Ms. Corazon De La Paz-Bernardo (Independent Director)
Mr. Guillermo D. Luchangco (Independent Director)
Mr. Aurelio R. Montinola III (Independent Director)

The shareholders also unanimously elected the auditing firm of Sycip Gorres Velayo & Co. as external auditors of RCI for the calendar year 2019.

Further, the shareholders approved the Consolidated Annual Report with accompanying financial statement of RCI for the calendar year ended 31 December 2018. The table below shows how the shareholders voted their shares during the annual meeting:

Resolution	Approving	Dissenting	Abstaining
Approval of the Minutes of the Stockholders' Meeting held on 23 May 2018	**1,687,737,911** shares	NONE	NONE
Approval of the Annual Report to the Stockholders for the calendar year ending 28 September 2018	**1,687,737,911** shares	NONE	NONE
Approval of the Annual Report to the Stockholders for the calendar year ending 31 December 2018	**1,687,737,911** shares	NONE	NONE
Ratification of all the acts and resolutions of the Board of Directors and Management from May 23, 2018 up to present	**1,687,737,911** shares	NONE	NONE
Election of the Board of Directors	**1,687,737,911** shares	NONE	NONE
Election of the external auditors	**1,687,737,911** shares	NONE	NONE

Immediately after the stockholders' meeting, the newly-elected members of the Board of Directors held an organizational meeting where they elected the following officers:

Pedro O. Roxas	-	Chairman
Fernando L. Gaspar	-	President & CEO
Guillermo D. Luchangco	-	Lead Independent Director
Armando B. Escobar	-	Executive Vice President & CFO-Treasurer
Atty. Peter D. Barot	-	Corporate Secretary
Atty. Monica Isabelle I. Villanueva	-	Assistant Corporate Secretary

		Compliance Officer/ Corporate Information Officer/ Investment Relations Office
Marcelino C. Bundoc	-	Alternate Corporate Information Officer

They also elected the following Directors to the (a) Audit & Risk, (b) Compensation, (c) Nomination, Election & Governance Committees, and (d) Related Party Transaction Committee:

Audit & Risk Committee:

Corazon S. De La Paz-Bernardo	-	Chairperson (Independent Director)
Aurelio R. Montinola III	-	Member (Independent Director)
Francisco R. Elizalde	-	Member

Executive Compensation Committee:

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

Nomination, Election & Governance Committee:

Guillermo D. Luchangco	-	Chairperson (Independent Director)
Pedro O. Roxas	-	Member
Carlos R. Elizalde	-	Membe

Related Party Transaction Committee:

Aurelio R. Montinola III	-	Chairperson (Independent Director)
Corazon De La Paz-Bernardo	-	Member (Independent Director)
Francisco R. Elizalde	-	Member

2. On 10 May 2019, during the Regular Meeting of the Board, the Company approved the 1st Quarter Report-SEC Form 17-Q and declared cash dividends in the total amount of PhP20,329,166.66 to the preferred stockholders of record as of 28 May 2019, payable on 31 May 2019. The Board likewise approved the schedule of cash dividends for preferred shareholders for the rest of the year as follows:

    a) **2nd Tranche**
    Record date: 08 August 2019
    Payment date: 13 August 2019
    Preferred Shares: 500 Million issued and outstanding

    b) **3rd Tranche**
    Record date: 06 November 2019
    Payment date: 13 November 2019
    Preferred Shares: 500 Million issued and outstanding.

3. On 05 August 2019, the Company reported that the Board of Directors, in its regular board meeting, approved the Consolidated financial report of the company for the 2nd quarter of CY2019, quarter ended 30 June 2019. The Board also approved the Revised Related Party Transaction Policy and Guidelines of RCI as recommended by the Related Party Transaction Committee.

4. On 22 October 2019, the Company, in compliance with the Securities and Exchange Commission ("SEC") Memorandum No. 10, Series of 2019, submits its revised policy on Related Party Transactions containing the Rules on Material Related Party Transactions that was approved by the Board of Directors on 05 August 2019, and signed by the Chairman of the Board, Mr. Pedro Roxas.

5. On 12 November 2019, the Company reported that the Board of Directors, in its regular board meeting, approved the Consolidated financial report of the company for the 3rd quarter of CY2019, quarter ended 30 September 2019 as reviewed by the Audit Committee on 07 November 2019. The Board also approved the 2020 Budget/Business Plan of the company as presented.

6. On 13 November 2019, the Company reported that the Board of Directors, in its special meeting, approved the following schedule of cash dividend declaration for the calendar year 2020 for its preferred shares that are not listed with the Philippine Stock Exchange ("PSE"), as follows:

   1st Tranche:

Record Date:	06 February 2020
Payment Date:	13 February 2020
Preferred Shares:	500,000,000 issued & outstanding
Dividend Rate:	Php.02/share

   2nd Tranche:

Record Date:	07 May 2020
Payment Date:	13 May 2020
Preferred Shares:	500,000,000 issued & outstanding
Dividend Rate:	Php.02/share

   3rd Tranche:

Record Date:	06 August 2020
Payment Date:	13 August 2020
Preferred Shares:	500,000,000 issued & outstanding
Dividend Rate:	Php.02/share

   4th Tranche:

Record Date:	06 November 2020
Payment Date:	13 November 2020
Preferred Shares:	500,000,000 issued & outstanding
Dividend Rate:	Php.02/share

   The cash dividends will be declared out of the unrestricted retained earnings of the Company which are sufficient to cover the total amount of dividend declared

7. On 23 December 2019, the Company reported that as part of Roxas and Company, Inc.'s continuing objective of improving net income and reducing the group's overall debt, Roxaco-

Asia Hospitality Corporation, one of RCI's subsidiaries that operates 5 budget hotels under the Go-Hotel franchise, decided to sell and relocate its Cubao site to a more strategic location. Proceeds from the sale of Cubao of about P411 Million will be used to improve existing sites and lower the subsidiary's outstanding debt until a new site has been identified.

OTHER MATTERS

The following reports/minutes of meetings will be submitted for ratification/approval by the stockholders in the next Annual Stockholders' Meeting, which is on the last Wednesday of May 2020:

a) Chairman's Report and the Consolidated Audited Financial Statements for the calendar year ended 31 December 2019.

b) Minutes of the Annual Meeting of Stockholders held on 29 May 2019.

   The minutes of meeting of the 29 May 2019 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 29 May 2019 annual meeting of shareholders;

   (ii) presentation and approval of the 31 December 2019 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 29 May 2019;

   (iv) the elected members of the Board of Directors for calendar year 2020;

   (v) the external auditor for calendar year 2020.

c) Acts/Resolutions of the Board of Directors since the 29 May 2019 annual meeting of shareholders, which include the following:

   1. Acts/resolutions approved during the 12 November 2019 l meeting of the Board of Directors: the budget for 2020 of the company and its subsidiaries.

   2. Acts/resolutions approved during the 05 April 2019 regular meeting of the Board of Directors:
      a. Audited Financial Statements for the period ending 31 December 2018.
      b. Setting of Annual Stockholders' Meeting of the Company on 29 May 2019. The record date for the purpose of the meeting is on 06 May 2019.
      c. SEC Form 17-A.

   3. Acts/resolutions passed in the regular Board meeting held on 05 April 2019, where the Board approved the Audited Financial Statements for year ended 31 December 2018 and the Annual Report SEC 17-A.

   4. Acts/resolutions passed during the regular meeting on 10 May 2019, where the Company approved the 1st Quarter Report-SEC Form 17-Q and declared cash dividends in the total

amount of PhP 20,329,166.66 to the preferred stockholders of record as of 28 May 2019, payable on 31 May 2019. The Board also approved the schedule of cash dividends declaration to the preferred shareholders for the rest of the year as follows:

c) **2nd Tranche**
Record date: 08 August 2019
Payment date: 13 August 2019
Preferred Shares: 500 Million issued and outstanding

d) **3rd Tranche**
Record date: 06 November 2019
Payment date: 13 November 2019
Preferred Shares: 500 Million issued and outstanding.

5. Acts/resolutions passed in a special meeting held on 02 July 2019, wherein the Board approved the following resolutions:

   a) The Company noted the Offer to Purchase of the Natipuan Lots with aggregate area of 66,710 square meters, with TCT Nos., T-60389, T-60393 and T-109677 and received from Sta. Lucia Land, Inc. and approves the sale thereof by Roxaco for a total purchase price of Ninety Million Pesos (PhP90,000,000.00) net with all taxes to be borne by Sta. Lucia.

   b) The Company also was authorized to cause the cancellation of the annotation on TCT No. 055-2018001828 pertaining to the contract of civil lease between the Corporation and United Ventures Corporation.

   c) The Corporation was authorized to act as surety of Roxaco-Asia Hospitality Corporation for its loans and other obligations to Robinsons Bank Corporation.

6. Acts/resolutions passed in the regular meeting held on 05 August 2019, where the Board approved the sale of Natipuan Property in favor of Roxaco Land Corporation and noted the subsequent sale from Roxaco to Sta. Lucia Land Inc.

7. Acts/resolutions passed in the special meeting held on 30 August 2019, wherein the Company was authorized to sell the parcels of land covered by TCT Nos. T- 105754 and 055-2020000171 with total area of One Hundred Twenty-Eight Thousand and Three Hundred Ninety Three (128,393) square meters located at Barrio Caylaway, Municipality of Nasugbu, Batangas.

8. Acts/resolutions passed in a special meeting held on 25 November 2019, where the Company was authorized to cause the subdivision of TCT No. 055-2018001828 with a total area of 121,133 square meters and to subdivide the same so as to have separate titles for the two portions indicated in the approved survey plan.

9. Acts/resolutions passed in a special meeting held on 13 November 2019, where the Board approved the following schedule of cash dividend declaration for the calendar year 2020 for its preferred shares that are not listed with the Philippine Stock Exchange ("PSE"), as follows:

1st Tranche:

Record Date:	06 February 2020
Payment Date:	13 February 2020

Preferred Shares: 500,000,000 issued & outstanding
Dividend Rate: Php.02/share

2nd Tranche:
Record Date: 07 May 2020
Payment Date: 13 May 2020
Preferred Shares: 500,000,000 issued & outstanding
Dividend Rate: Php.02/share

3rd Tranche:
Record Date: 06 August 2020
Payment Date: 13 August 2020
Preferred Shares: 500,000,000 issued & outstanding
Dividend Rate: Php.02/share

4th Tranche:
Record Date: 06 November 2020
Payment Date: 13 November 2020
Preferred Shares: 500,000,000 issued & outstanding
Dividend Rate: Php.02/share

The cash dividends will be declared out of the unrestricted retained earnings of the Company which are sufficient to cover the total amount of dividend declared.

VOTING PROCEDURES

(a) The vote required for the:-

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

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

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

SIGNATURE

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

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

By:

MONICA ISABELLE I. VILLANUEVA
Assistant Corporate Secretary

Issuer

ROXAS AND COMPANY, INC.

Pursuant to the requirements of Section 17 of Revised Securities Act, this annual report has been signed by the following persons in the capacities and on the dates indicated.

By:

PEDRO E. ROXAS
Chairman

FERNANDO L. GASPAR
President & Chief Executive Officer

ARMANDO B. ESCOBAR
Executive Vice President - Chief Finance Officer

MONICA ISABELLE I. VILLANUEVA
Assistant Corporate Secretary

JUN 30 2020

SUBSCRIBED AND SWORN to before me this ________________ in Makati City affiants exhibiting to me their respective competent ID's as follows:

Names	Competent ID	Date of Issue/Expiry	Place of Issue
Pedro E. Roxas	Passport No. EC2368933	10 Oct 2014 – 09 Oct 2019	Manila
Fernando L. Gaspar	Senior Citizen ID No. 69041	15 April 2013	Makati City
Armando B. Escobar	SSS ID# 03-6432908-7		
Monica Isabelle I. Villanueva	Passport No. P1265908A	17 Dec 2016 - 16 Dec 2021	Manila

Doc. No. 163
Page No. 34
Book No. 180
Series of 2020.

ATTY. JOHN [illegible] PONCE, JR.
NOTARY PUBLIC
APPOINTMENT No. M412 / MAKATI CITY
UNTIL DECEMBER 31, 2020
PTR No. [illegible] / MAKATI CITY
IBP No. [illegible] / RIZAL
MCLE COMPLIANCE No. VI-0027020 / 06-28-2019
ROLL NO. 35452 / TIN No. [illegible]
UNIT 0-14 Makati Executive Tower 3
Sen. Gil Puyat Avenue, Bo del Pilar,
Makati City, Metro Manila

Roxas & Company, Inc.

ANNEX "A"

AUDIT COMMITTEE REPORT

Audit and Risk Committee Report

18 June 2020

The Board of Directors
Roxas and Company, Inc.

Further to our compliance with applicable corporate governance laws and rules, we confirm that for the period of 01 January to 31 December 2019:

- The Chairman of the Audit and Risk Committee is an independent director as determined by the Board of Directors;
- We had four (4) regular meetings during the said period;
- We have reviewed and approved the revised Audit Committee Charter which was subsequently endorsed to and adopted by the Board of Directors;
- We have discussed with RCI's internal audit group and Sycip Gorres Velayo & Co. ("SGV"), RCI's external auditor, the overall scope and plans for their respective audits, and the results of examinations, their evaluations of the internal controls and the overall quality of the financial reporting of Roxas and Company, Inc. and its subsidiaries (the Roxas Group);
- We have reviewed and approved all audit services rendered by SGV & Co. to the Roxas Group, and the related fees for such services, and concluded that the fees are not significant to impair their independence;
- We have discussed with SGV & Co. the matters required to be discussed by the prevailing applicable Auditing Standards, and we have received written disclosures and the letter from SGV & Co. as required by the prevailing applicable Independence Standards (Statements as to Independence) and have discussed with SGV & Co. its independence from the Roxas Group and Roxas Group's management;
- In the performance of our oversight responsibilities, we have reviewed and discussed the audited financial statements of the Roxas Group as of and for the year ended 31 December 2019 with the Roxas Group's management, which has the primary responsibility for the financial statements, and with SGV & Co., the Roxas Group's independent auditor, who is responsible for expressing an opinion on the conformity of the Roxas Group's audited financial statements with Philippine Financial Reporting Standards (PFRS);
- Based on the reviews and discussions referred to above, in reliance on the Roxas Group's management and SGV & Co. and subject to the limitations of our role, we recommended to the Board of Directors and the Board has approved, the inclusion of the Roxas Group's audited financial statements as of and for the year ended 31 December 2019 in the Roxas Group's Annual Report to the Stockholders and to the Philippines Securities and Exchange Commission (SEC) on Form 17-A; and
- Based on a review of SGV & Co.'s performance and qualifications, including consideration of management's recommendation, we approved the appointment of SGV & Co. as the Roxas Group's independent auditor.

CORAZON DE LA PAZ-BERNARDO
Chairperson

FRANCISCO R. ELIZALDE
Member

AURELIO R. MOTINOLA III
Member

ANNEX "B"

Statement of Management Responsibility for Consolidated Financial Statements

Report of Independent Auditors

Consolidated Statements of Financial Position

Consolidated Statements of Income

Consolidated Statements of Comprehensive Income

Consolidated Statements of Changes in Equity

Consolidated Statements of Cash Flows

Notes to Consolidated Financial Statements

Retained Earnings Available for Dividend Declaration

Index to Consolidated Financial Statements

Organizational Structure

Roxas & Company, Inc.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Roxas and Company, Inc. and Subsidiaries** (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended **December 31, 2019 and 2018**, in accordance with the prescribed financial reporting framework indicated therein, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

PEDRO E. ROXAS
Chairman

Fernando Gaspar

FERNANDO L. GASPAR
President and Chief Executive Officer

ARMANDO B. ESCOBAR
EVP-Chief Finance Officer/ Treasurer

Signed this **26th day of June, 2020.**

Roxas & Company, Inc.

SUBSCRIBED AND SWORN to before me this JUN 30 2020 in Makati City, affiants exhibiting to me their respective competent ID as follows:

Names	Competent ID	Date of Issue/Expiry	Place of Issue
Pedro E. Roxas	Passport No. P0388893B	24 Jan. 2019 - 23 Jan. 2029	DFA Manila
Fernando L. Gaspar	Senior Citizen ID No. 69041	15 April 2013	Makati City
Armando B. Escobar	SSS ID# 03-6432908-7		

Doc. No. 165
Page No. 34
Book No. 180
Series of 2020

ATTY. JOHN DOMINGO A. [illegible], JR.
NOTARY PUBLIC
APPOINTMENT No. M-92 / MAKATI CITY
UNTIL DECEMBER 31, 2020
PTR No. [illegible] / 01-2-2020 / MAKATI CITY
IBP No. [illegible] / 01-07-2020 / RIZAL
MCLE COMPLIANCE No. VI-0027026 / 08-[illegible]-2018
ROLL NO. [illegible] / TIN No. 106-089-102-000
Unit G-14 Makati Executive Tower 3
Sen. Gil Puyat Avenue, Pio del Pilar,
Makati City, Metro Manila

Roxas and Company, Inc. and Subsidiaries

Consolidated Financial Statements
December 31, 2019 and 2018

and

Independent Auditor's Report

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

P	W	-	0	0	0	0	0	8	3	4

COMPANY NAME

ROXAS AND COMPANY, INC. AND
SUBSIDIARIES

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

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

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
www.roxascompany.com.ph	(02) 8810-8901 to 06	–

No. of Stockholders	Annual Meeting (Month / Day)	Calendar Year (Month / Day)
3,301	Last Wednesday of May	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Atty. Monica Isabelle I. Villanueva	miv@roxascompany.com.ph	(637) 8751-9537	–

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 of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Roxas and Company, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter: Events After Reporting Period - Impact of Coronavirus Outbreak (COVID-19)

We draw attention to Note 32 of the consolidated financial statements which discusses the World Health Organization's declaration of the outbreak of COVID-19 and the measures taken by the Philippine Government in order to contain the effect of COVID-19. These measures have significantly impacted the Group's business due to international and domestic travel restrictions which resulted in forced cancellations of hotel bookings and postponement of events, driving down hospitality, travel and tourism for business and pleasure. As set out in Note 32 to the consolidated financial statements, no adjustments have been made to the consolidated financial statements as at and for the year ended December 31, 2019 for the impact of COVID-19 outbreak. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Assessment of the Going Concern Basis

As disclosed in Note 1 to the consolidated financial statements, as at December 31, 2019, the current liabilities of the Group exceeded its current assets by ₱1,268.3 million. The availability of sufficient funding to enable the Group to meet its currently maturing obligations is important for the going concern assumption and, as such, is significant to our audit. This assessment is based on the expectations of and the estimates of future cash flows made by management. Estimated future cash flows are based on assumptions, such as growth rate in sales of coconut products and food and beverage revenue, growth in hotel occupancy rate, coconut plant capacity utilization rate, manufacturing cost ratio and operating expenses ratio. In addition, management assumptions include ongoing negotiation with creditor banks to reschedule payment of debt.

Audit Response

We obtained management's assessment of going concern and evaluated their plans. We evaluated management's assessment together with our internal specialists by which we considered the relationship between management's budgets or forecasts and the group's historical results, the process management followed to make its assessment and management's plans for future action. We obtained the cash flow forecast and reviewed significant assumptions, especially those that are sensitive or susceptible to change. These assumptions include growth rate in sales of coconut products and food and beverage revenue, growth in hotel occupancy rate, coconut plant capacity utilization rate, manufacturing cost ratio, operating expenses ratio and sale of raw land properties. We compared the key assumptions used, such as growth rate in sales of coconut products and food and beverage revenue and growth in hotel occupancy rate among others, against the Group's historical performance, current industry outlook and other relevant external data. We obtained and evaluated management's sensitivity analyses to ascertain the impact of reasonably possible changes in key assumptions. We also obtained an understanding of the debt restructuring plan and the progress of the restructuring plan up to the date of this report. We corroborated the assumptions and restructuring plan with the respective supporting documents provided by the management. We reviewed the adequacy of disclosures relating to management's assessment and plans, which are disclosed in Note 1 to the consolidated financial statements.

Impairment testing of property, plant and equipment

The Group assesses at the end of the reporting period whether there is any indicator that the property, plant and equipment may be impaired. As of December 31, 2019, the Group's coconut processing plant was underutilized, while the Group's actual occupancy for its hotel businesses is below its target. Management assessed that these factors are indicator of impairment of the coconut processing plant and the assets related to the hotel businesses and is required to estimate their recoverable amount. As of December 31, 2019, the carrying amounts of the coconut processing plant and the hotel assets amounted to ₱891.2 million and ₱2,323.3 million, respectively.

We considered the impairment testing of property, plant and equipment as a key audit matter because the potential recognition of impairment loss could have material impact on the financial position and financial performance of the Group for the year and management's assessment process requires significant judgment and is based on assumptions, specifically, the discount rate, plant capacity utilization rate, gross profit ratio, operating expenses ratio for the coconut processing plant, and growth rate, occupancy rate, food and beverage revenue, gross profit ratio, operating expenses ratio and salvage value of cash generating unit for the hotel properties, among others.

Refer to Notes 4 and 5 to the consolidated financial statements for the relevant accounting policies and a discussion of significant judgment and estimates, and Note 12 for the detailed disclosures about the carrying amounts of the property, plant and equipment.

Audit response

We reviewed the potential indicators of impairment that would require the impairment testing of the individual assets and the cash generating units (CGUs). With the involvement of our internal specialist, we evaluated the key assumptions used to estimate the discounted cash flows of the CGU, which include the discount rate, plant capacity utilization rate, gross profit ratio, operating expenses ratio for the coconut processing plant, and growth rate, occupancy rate, food and beverage revenue, gross profit ratio, operating expenses ratio and salvage value of cash generating unit for the hotel properties, based on our understanding of the Group's business plan and compared these assumptions to the relevant market data, as applicable. We also assessed the current year's assumptions by comparing these assumptions with the assumptions made in prior years, as well as the actual results during the year.

Investment in a significant associate

The Group has a 23.05% interest in Roxas Holdings, Inc. (RHI), an associate, that is accounted for under the equity method. For the year ended December 31, 2019, the Group's share in the net loss of RHI amounted to ₱388.2 million whereas the Group's share in other comprehensive income of RHI amounted to ₱69.8 million. The Group's share in RHI's net income is significantly affected by RHI's raw sugar business which follows the quedan system, a negotiable instrument which shows ownership of a specified amount of raw sugar in a warehouse. RHI's physical possession may not necessarily indicate ownership. This matter is significant to our audit due to the volume of transactions covered by this unique system that impacts sales and inventories which are material in the determination of the share in RHI's net income. The Group's share in RHI's net income is also significantly affected by RHI's estimation of provision from certain claims by regulatory bodies and other penalties. The assessment of whether the provision should be recognized and the estimation of potential liability resulting from these assessments require significant judgment by management of RHI. The Group's share in other comprehensive income is significantly affected by the revaluation of land performed by external appraiser whose calculations involve certain assumptions such as sales prices of similar properties and adjustments to sales price based on internal and external factors.

Refer to Notes 4 and 5 to the consolidated financial statements for the relevant accounting policies and a discussion of significant judgment and estimates, and Note 11 for the disclosures on the investment in RHI.

PFRS also requires an impairment testing of an investment in associate where there are indicators of impairment. The Group's management assessed that the investment in RHI may be impaired since the fair value of RHI's listed shares held directly by the Group is lower than the carrying amount of the investment in associate as of December 31, 2019. We have identified this matter as a key audit matter because management's impairment assessment process requires significant judgment and is based on assumptions, specifically the sales growth rate, terminal growth rate, manufacturing costs ratio, operating expenses ratio and discount rate, among others. The disclosures about the significant estimates involving the impairment testing of the investment in RHI are included in Note 5 to the consolidated financial statements.

Audit Response

We obtained the financial information of RHI as at for the year ended December 31, 2019 and recomputed the Group's share in net income of RHI. We obtained an understanding of RHI's quedan system and tested the relevant controls on the information system and manual processes. We observed the inventory count procedures of RHI to establish the physical existence of raw sugar as of count date and reviewed the rollforward procedures to arrive at the physical quantity as of reporting date. We reviewed the reconciliation of the physical quantity and quedan accountability report to test the quantity reported, which are supported by quedans, as the RHI's inventory and those which are held in trust for the planters and traders.

We inquired with RHI's legal counsels and management about the status and potential exposures of the significant claims and their basis of assessment of the outcome of the claims. We also inspected relevant correspondences with the regulatory bodies and other relevant parties, and reviewed the minutes of meetings of the Board of Directors and Audit Committee. We involved our internal specialist in the evaluation of management's assessment on whether provision should be recognized and estimation of such amount.

We compared the property-related data in the appraisal reports against RHI's records. We involved our internal specialist in reviewing the scope, methodology and the assumptions used by RHI's external appraiser. We evaluated the competence capabilities and qualifications of the external appraiser by considering their qualifications, experience and reporting responsibilities. We compared the assumptions used, specifically the sales price of comparable properties, against the relevant external information. We also discussed with the external appraiser the nature and magnitude of the adjustment factors.

For the review of impairment testing, we obtained an understanding of the Group's impairment assessment process and tested the relevant controls. We involved our internal specialist in evaluating the methodologies and the assumptions used. We compared the key assumptions such as the forecasted revenue, operating costs and capital expenditures against the historical performance of the cash generating unit (CGU) and other relevant external data. We tested the parameters used in the derivation of the discount rate against market data

Classification of investment properties, and valuation of investment properties and land under property, plant and equipment

The Group has significant parcels of land in Nasugbu, Batangas that have been subjected to the revised Notice of Coverage (NOC) issued by the Department of Agrarian Reform (DAR) under the Comprehensive Agrarian Reform Program (CARP). On October 25, 2017, the Court of Appeals partially granted the Group's Petition for Certiorari dated June 26, 2014, in which the NOC issued by DAR last October 22, 2014 were nullified and set aside. Subsequently, the Group filed a Motion for Reconsideration over the issuance of Certificate of Land Ownership Awards by DAR in favor of the farmer-beneficiaries.

As of December 31, 2019, management continues to recognize the parcels of land under CARP as part of the Group's investment properties. As of December 31, 2019, these parcels of land have a carrying value of ₱4,316.3 million, representing 95% of the total investment properties. The classification of these parcels of land as part of investment properties is significant to our audit because the assessment requires significant judgment by management based on the status of the legal proceedings. The inherent uncertainty over the outcome of this matter is brought about by the differences in the interpretation and application of the regulations, laws and rulings, thus, a significant matter to our audit.

Further, the Group accounts for its investment properties at fair value and its land under property, plant and equipment at revalued amount. As of December 31, 2019, the fair value of the Group's total investment properties and land under property, plant and equipment amounted to ₱6,010.8 million and ₱816.4 million, representing 44% and 6% of the Group's consolidated total assets, respectively. The valuation of the investment properties and land under property, plant and equipment requires the work of an external appraiser whose calculations involve certain assumptions, such as sales price of similar properties and adjustments to sales price based on internal and external factors. This matter is significant to our audit because it involves significant judgment and estimates.

Refer to Notes 4 and 5 to the consolidated financial statements for the relevant accounting policies and a discussion of significant judgment and estimates, and Notes 11 and 14 for the detailed disclosure about the Group's investment properties and land under property, plant and equipment and Note 30 for the disclosures about the related fair values.

Audit Response

For the parcels of land covered by CARP which were classified as investment properties, we inquired with the Group's internal and external legal counsels and finance officers about the status of the legal proceedings. We obtained legal opinion from external legal counsels about the progress of the legal proceedings, including their assessment on the likely outcome. We also inspected relevant correspondence with the regulatory bodies.

For the fair values of the entire investment properties and land under property and equipment, we involved our internal specialist in evaluating the methodologies and the assumptions used by the external appraisers, whose professional qualifications and objectivity were considered. We reviewed the relevant information supporting the sales price of similar properties and inquired from the external appraiser the basis of adjustments made to the sales price. We also reviewed the Group's disclosures with respect to investment properties and land under property, plant and equipment.

Other Information

Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended December 31, 2019 but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2019, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Kristopher S. Catalan.

SYCIP GORRES VELAYO & CO.

Kristopher S. Catalan
Partner
CPA Certificate No. 109712
SEC Accreditation No. 1509-AR-1 (Group A),
October 18, 2018, valid until October 17, 2021
Tax Identification No. 233-299-245
BIR Accreditation No. 08-001998-109-2018,
February 14, 2018, valid until February 13, 2021
PTR No. 8125220, January 7, 2020, Makati City

June 26, 2020

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and the Stockholders
Roxas and Company, Inc.

Opinion

We have audited the consolidated financial statements of Roxas and Company, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter: Events After Reporting Period - Impact of Coronavirus Outbreak (COVID-19)

We draw attention to Note 32 of the consolidated financial statements which discusses the World Health Organization's declaration of the outbreak of COVID-19 and the measures taken by the Philippine Government in order to contain the effect of COVID-19. These measures have significantly impacted the Group's business due to international and domestic travel restrictions which resulted in forced cancellations of hotel bookings and postponement of events, driving down hospitality, travel and tourism for business and pleasure. As set out in Note 32 to the consolidated financial statements, no adjustments have been made to the consolidated financial statements as at and for the year ended December 31, 2019 for the impact of COVID-19 outbreak. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Assessment of the Going Concern Basis

As disclosed in Note 1 to the consolidated financial statements, as at December 31, 2019, the current liabilities of the Group exceeded its current assets by ₱1,268.3 million. The availability of sufficient funding to enable the Group to meet its currently maturing obligations is important for the going concern assumption and, as such, is significant to our audit. This assessment is based on the expectations of and the estimates of future cash flows made by management. Estimated future cash flows are based on assumptions, such as growth rate in sales of coconut products and food and beverage revenue, growth in hotel occupancy rate, coconut plant capacity utilization rate, manufacturing cost ratio and operating expenses ratio. In addition, management assumptions include ongoing negotiation with creditor banks to reschedule payment of debt.

Audit Response

We obtained management's assessment of going concern and evaluated their plans. We evaluated management's assessment together with our internal specialists by which we considered the relationship between management's budgets or forecasts and the group's historical results, the process management followed to make its assessment and management's plans for future action. We obtained the cash flow forecast and reviewed significant assumptions, especially those that are sensitive or susceptible to change. These assumptions include growth rate in sales of coconut products and food and beverage revenue, growth in hotel occupancy rate, coconut plant capacity utilization rate, manufacturing cost ratio, operating expenses ratio and sale of raw land properties. We compared the key assumptions used, such as growth rate in sales of coconut products and food and beverage revenue and growth in hotel occupancy rate among others, against the Group's historical performance, current industry outlook and other relevant external data. We obtained and evaluated management's sensitivity analyses to ascertain the impact of reasonably possible changes in key assumptions. We also obtained an understanding of the debt restructuring plan and the progress of the restructuring plan up to the date of this report. We corroborated the assumptions and restructuring plan with the respective supporting documents provided by the management. We reviewed the adequacy of disclosures relating to management's assessment and plans, which are disclosed in Note 1 to the consolidated financial statements.

Impairment testing of property, plant and equipment

The Group assesses at the end of the reporting period whether there is any indicator that the property, plant and equipment may be impaired. As of December 31, 2019, the Group's coconut processing plant was underutilized, while the Group's actual occupancy for its hotel businesses is below its target. Management assessed that these factors are indicator of impairment of the coconut processing plant and the assets related to the hotel businesses and is required to estimate their recoverable amount. As of December 31, 2019, the carrying amounts of the coconut processing plant and the hotel assets amounted to ₱891.2 million and ₱2,323.3 million, respectively.

We considered the impairment testing of property, plant and equipment as a key audit matter because the potential recognition of impairment loss could have material impact on the financial position and financial performance of the Group for the year and management's assessment process requires significant judgment and is based on assumptions, specifically, the discount rate, plant capacity utilization rate, gross profit ratio, operating expenses ratio for the coconut processing plant, and growth rate, occupancy rate, food and beverage revenue, gross profit ratio, operating expenses ratio and salvage value of cash generating unit for the hotel properties, among others.

Refer to Notes 4 and 5 to the consolidated financial statements for the relevant accounting policies and a discussion of significant judgment and estimates, and Note 12 for the detailed disclosures about the carrying amounts of the property, plant and equipment.

Audit response

We reviewed the potential indicators of impairment that would require the impairment testing of the individual assets and the cash generating units (CGUs). With the involvement of our internal specialist, we evaluated the key assumptions used to estimate the discounted cash flows of the CGU, which include the discount rate, plant capacity utilization rate, gross profit ratio, operating expenses ratio for the coconut processing plant, and growth rate, occupancy rate, food and beverage revenue, gross profit ratio, operating expenses ratio and salvage value of cash generating unit for the hotel properties, among others, based on our understanding of the Group's business plan and compared these assumptions to the relevant market data, as applicable. We also assessed the current year's assumptions by comparing these assumptions with the assumptions made in prior years, as well as the actual results during the year.

Investment in a significant associate

The Group has a 23.05% interest in Roxas Holdings, Inc. (RHI), an associate, that is accounted for under the equity method. For the year ended December 31, 2019, the Group's share in the net loss of RHI amounted to The Group has a 23.05% interest in Roxas Holdings, Inc. (RHI), an associate, that is accounted for under the equity method. For the year ended December 31, 2019, the Group's share in the net loss of RHI amounted to ₱388.2 million whereas the Group's share in other comprehensive income of RHI amounted to ₱69.8 million. The Group's share in RHI's net income is significantly affected by RHI's raw sugar business which follows the quedan system, a negotiable instrument which shows ownership of a specified amount of raw sugar in a warehouse. RHI's physical possession may not necessarily indicate ownership. This matter is significant to our audit due to the volume of transactions covered by this unique system that impacts sales and inventories which are material in the determination of the share in RHI's net income. The Group's share in RHI's net income is also significantly affected by RHI's estimation of provision from certain claims by regulatory bodies and other penalties. The assessment of whether the provision should be recognized and the estimation of potential liability resulting from these assessments require significant judgment by management of RHI. The Group's share in other comprehensive income is significantly affected by the revaluation of land performed by external appraiser whose calculations involve certain assumptions such as sales prices of similar properties and adjustments to sales price based on internal and external factors.

Refer to Notes 4 and 5 to the consolidated financial statements for the relevant accounting policies and a discussion of significant judgment and estimates, and Note 11 for the disclosures on the investment in RHI.

PFRS also requires an impairment testing of an investment in associate where there are indicators of impairment. The Group's management assessed that the investment in RHI may be impaired since the fair value of RHI's listed shares held directly by the Group is lower than the carrying amount of the investment in associate as of December 31, 2019. We have identified this matter as a key audit matter because management's impairment assessment process requires significant judgment and is based on assumptions, specifically the sales growth rate, terminal growth rate, manufacturing costs ratio, operating expenses ratio and discount rate, among others. The disclosures about the significant estimates involving the impairment testing of the investment in RHI are included in Note 5 to the consolidated financial statements.

Audit Response

We obtained the financial information of RHI as at for the year ended December 31, 2019 and recomputed the Group's share in net income of RHI. We obtained an understanding of RHI's quedan system and tested the relevant controls on the information system and manual processes. We observed the inventory count procedures of RHI to establish the physical existence of raw sugar as of count date and reviewed the rollforward procedures to arrive at the physical quantity as of reporting date. We reviewed the reconciliation of the physical quantity and quedan accountability report to test the quantity reported, which are supported by quedans, as the RHI's inventory and those which are held in trust for the planters and traders.

We inquired with RHI's legal counsels and management about the status and potential exposures of the significant claims and their basis of assessment of the outcome of the claims. We also inspected relevant correspondences with the regulatory bodies and other relevant parties, and reviewed the minutes of meetings of the Board of Directors and Audit Committee. We involved our internal specialist in the evaluation of management's assessment on whether provision should be recognized and estimation of such amount.

We compared the property-related data in the appraisal reports against RHI's records. We involved our internal specialist in reviewing the scope, methodology and the assumptions used by RHI's external appraiser. We evaluated the competence capabilities and qualifications of the external appraiser by considering their qualifications, experience and reporting responsibilities. We compared the assumptions used, specifically the sales price of comparable properties, against the relevant external information. We also discussed with the external appraiser the nature and magnitude of the adjustment factors.

For the review of impairment testing, we obtained an understanding of the Group's impairment assessment process and tested the relevant controls. We involved our internal specialist in evaluating the methodologies and the assumptions used. We compared the key assumptions such as the forecasted revenue, operating costs and capital expenditures against the historical performance of the cash generating unit (CGU) and other relevant external data. We tested the parameters used in the derivation of the discount rate against market data

Classification of investment properties, and valuation of investment properties and land under property, plant and equipment

The Group has significant parcels of land in Nasugbu, Batangas that have been subjected to the revised Notice of Coverage (NOC) issued by the Department of Agrarian Reform (DAR) under the Comprehensive Agrarian Reform Program (CARP). On October 25, 2017, the Court of Appeals partially granted the Group's Petition for Certiorari dated June 26, 2014, in which the NOC issued by DAR last October 22, 2014 were nullified and set aside. Subsequently, the Group filed a Motion for Reconsideration over the issuance of Certificate of Land Ownership Awards by DAR in favor of the farmer-beneficiaries.

As of December 31, 2019, management continues to recognize the parcels of land under CARP as part of the Group's investment properties. As of December 31, 2019, these parcels of land have a carrying value of ₱4,316.3 million, representing 95% of the total investment properties. The classification of these parcels of land as part of investment properties is significant to our audit because the assessment requires significant judgment by management based on the status of the legal proceedings. The inherent uncertainty over the outcome of this matter is brought about by the differences in the interpretation and application of the regulations, laws and rulings, thus, a significant matter to our audit.

Further, the Group accounts for its investment properties at fair value and its land under property, plant and equipment at revalued amount. As of December 31, 2019, the fair value of the Group's total investment properties and land under property, plant and equipment amounted to ₱6,010.8 million and ₱816.4 million, representing 44% and 6% of the Group's consolidated total assets, respectively. The valuation of the investment properties and land under property, plant and equipment requires the work of an external appraiser whose calculations involve certain assumptions, such as sales price of similar properties and adjustments to sales price based on internal and external factors. This matter is significant to our audit because it involves significant judgment and estimates.

Refer to Notes 4 and 5 to the consolidated financial statements for the relevant accounting policies and a discussion of significant judgment and estimates, and Notes 11 and 14 for the detailed disclosure about the Group's investment properties and land under property, plant and equipment and Note 30 for the disclosures about the related fair values.

Audit Response

For the parcels of land covered by CARP which were classified as investment properties, we inquired with the Group's internal and external legal counsels and finance officers about the status of the legal proceedings. We obtained legal opinion from external legal counsels about the progress of the legal proceedings, including their assessment on the likely outcome. We also inspected relevant correspondence with the regulatory bodies.

For the fair values of the entire investment properties and land under property, plant and equipment, we involved our internal specialist in evaluating the methodologies and the assumptions used by the external appraiser, whose professional qualifications and objectivity were considered. We reviewed the relevant information supporting the sales price of similar properties and inquired from the external appraiser the basis of adjustments made to the sales price. We also reviewed the Group's disclosures with respect to the fair values of the investment properties and land under property, plant and equipment.

Other Information

Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended December 31, 2019 but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2019, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.
If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Kristopher S. Catalan.

SYCIP GORRES VELAYO & CO.

Kristopher S. Catalan
Partner
CPA Certificate No. 109712
SEC Accreditation No. 1509-AR-1 (Group A),
October 18, 2018, valid until October 17, 2021
Tax Identification No. 233-299-245
BIR Accreditation No. 08-001998-109-2018,
February 14, 2018, valid until February 13, 2021
PTR No. 8125220, January 7, 2020, Makati City

June 26, 2020

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULE ON
FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
Roxas and Company, Inc.
7th Floor, Cacho-Gonzales Building
101 Aguirre Street, Legazpi 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 December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated June 26, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's financial statements as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Kristopher S. Catalan
Partner
CPA Certificate No. 109712
SEC Accreditation No. 1509-AR-1 (Group A),
October 18, 2018, valid until October 17, 2021
Tax Identification No. 233-299-245
BIR Accreditation No. 08-001998-109-2018,
February 14, 2018, valid until February 13, 2021
PTR No. 8125220, January 7, 2020, Makati City

June 26, 2020

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
Roxas and Company, Inc.
7th Floor, Cacho-Gonzales Building
101 Aguirre Street, Legazpi 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 December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, included in this Form 17-A and have issued our report thereon dated June 26, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Kristopher S. Catalan
Partner
CPA Certificate No. 109712
SEC Accreditation No. 1509-AR-1 (Group A),
October 18, 2018, valid until October 17, 2021
Tax Identification No. 233-299-245
BIR Accreditation No. 08-001998-109-2018,
February 14, 2018, valid until February 13, 2021
PTR No. 8125220, January 7, 2020, Makati City

June 26, 2020

ROXAS AND COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Amounts in Thousands

	December 31	
	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	**₱75,395**	₱215,888
Trade and other receivables (Notes 7 and 20)	**284,758**	165,383
Contract assets - current portion (Note 21)	**47,025**	42,538
Real estate properties for sale and development (Note 8)	**503,892**	536,109
Inventories (Note 9)	**70,541**	70,980
Other current assets (Note 10)	**259,218**	374,014
Total Current Assets	**1,240,829**	1,404,912
Assets Held for Sale (Note 25)	**373,679**	–
Noncurrent Assets		
Contract assets - net of current portion (Note 21)	**91,854**	103,924
Investments in associates (Note 11)	**1,997,069**	2,315,439
Property, plant and equipment (Note 12):		
At cost model	**2,647,407**	3,001,563
At revaluation model	**816,394**	773,495
Right-of-use assets (Note 13)	**117,243**	–
Investment properties (Note 14)	**6,010,836**	5,280,033
Deferred income tax assets - net (Note 26)	**85,296**	68,090
Other noncurrent assets (Note 10)	**183,359**	136,549
Total Noncurrent Assets	**11,949,458**	11,679,093
TOTAL ASSETS	**₱13,563,966**	₱13,084,005

LIABILITIES AND EQUITY		
Current Liabilities		
Short-term borrowings (Note 15)	**₱1,265,634**	₱1,311,000
Trade and other payables (Notes 17 and 20)	**605,832**	664,679
Current portion of long-term borrowings (Note 16)	**429,597**	920,482
Contract liabilities (Note 21)	**167,972**	111,447
Current portion of lease liabilities (Note 13)	**40,136**	–
Total Current Liabilities	**2,509,171**	3,007,608
Liabilities Directly Associated with the Assets Held For Sale (Note 25)	**231,502**	–
Noncurrent Liabilities		
Long-term borrowings - net of current portion (Note 16)	**2,039,247**	1,806,420
Deferred income tax liabilities - net (Note 26)	**94,053**	74,535
Lease liabilities - net of current portion (Note 13)	**86,582**	–
Retirement liability (Note 18)	**60,539**	46,257
Total Noncurrent Liabilities	**2,280,421**	1,927,212
Total Liabilities	**5,021,094**	4,934,820

(Forward)

	December 31	
	2019	2018
Equity attributable to the Equity Holders of the Parent Company (Note 19)		
Capital stock	**₱3,411,886**	₱3,411,886
Additional paid-in capital	**1,669,061**	1,655,974
Other equity reserves	**597,550**	477,904
Retained earnings	**4,017,126**	3,815,764
Treasury stock	**(1,463,825)**	(1,543,257)
	8,231,798	7,818,271
Non-controlling interests (Note 11)	**311,074**	330,914
Total Equity	**8,542,872**	8,149,185
TOTAL LIABILITIES AND EQUITY	**₱13,563,966**	₱13,084,005

See accompanying Notes to Consolidated Financial Statements.

ROXAS AND COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

Amounts in Thousands, except Basic/Diluted Loss per Share Data

	Years Ended December 31		
	2019	2018 (As restated, Note 25)	2017 (As restated, Note 25)
REVENUE FROM (Note21):			
Hotel sales and services	**₱460,103**	₱362,646	₱174,166
Real estate sales	**236,816**	106,787	322,725
Sale of goods	**136,885**	54,882	–
	833,804	524,315	496,891
COST OF SALES AND SERVICES			
Cost of hotel sales and services (Note 22)	**(263,228)**	(214,619)	(87,140)
Cost of real estate sales (Note 8)	**(54,659)**	(70,671)	(176,900)
Cost of goods sold (Note 22)	**(175,571)**	(46,845)	–
	(493,458)	(332,135)	(264,040)
GROSS INCOME	**340,346**	192,180	232,851
OPERATING EXPENSES (Note 22)	**(421,466)**	(521,304)	(344,286)
OTHER INCOME (CHARGES)			
Unrealized fair value gain on investment properties (Note 14)	**763,410**	709,199	–
Interest expense (Notes 13, 15 and 16)	**(291,735)**	(221,769)	(99,163)
Interest income (Notes 6 and 7)	**15,279**	12,086	10,366
Equity in net earnings (loss) of associates (Note 11)	**(388,205)**	(7,508)	23,155
Others - net (Note 24)	**187,970**	46,199	24,898
	286,719	538,207	(40,744)
INCOME (LOSS) BEFORE INCOME TAX FROM CONTINUING OPERATIONS	**205,599**	209,083	(152,179)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 26)			
Current	**7,055**	5,314	6,059
Deferred	**(16,371)**	6,236	(8,586)
	(9,316)	11,550	(2,527)
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	**214,915**	197,533	(149,652)
NET LOSS FROM DISCONTINUED OPERATIONS (Note 25)	**(39,139)**	(39,164)	(21,176)
NET INCOME (LOSS)	**₱175,776**	₱158,369	(₱170,828)
Equity holders of the Parent Company	**₱243,413**	₱240,693	(₱147,153)
Non-controlling interests	**(67,637)**	(82,324)	(23,675)
	₱175,776	₱158,369	(₱170,828)
BASIC/DILUTED EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY (Notes 4 and 27)	**₱0.10**	₱0.12	(₱0.07)
BASIC/DILUTED EARNINGS (LOSS) PER SHARE FOR CONTINUING OPERATIONS ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	**₱0.11**	₱0.13	(₱0.07)

See accompanying Notes to Consolidated Financial Statements.

ROXAS AND COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Amounts in Thousands

	Years Ended December 31		
	2019	2018 (As restated, Note 25)	2017 (As restated, Note 25)
NET INCOME (LOSS)	**₱175,776**	₱158,369	(₱170,828)
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss			
Appraisal increase on land - net of tax (Note 12)	**99,531**	27,932	102,346
Share in appraisal increase on land of an associate, net of tax (Note 11)	**89,808**	15,581	26,863
Share in remeasurement gain on retirement liability of an associate, net of tax (Note 11)	**(19,973)**	18,843	5,281
Remeasurement gain (loss) on retirement liability, net of tax (Note 18)	**(1,924)**	6,514	–
TOTAL OTHER COMPREHENSIVE INCOME	**167,442**	68,870	134,490
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱343,218**	₱227,239	(₱36,338)
Total comprehensive income (loss) attributable to:			
Equity holders of the Parent Company	**₱363,059**	₱297,742	(₱56,850)
Non-controlling interests	**(19,841)**	(70,503)	20,512
	₱343,218	₱227,239	(₱36,338)

See accompanying Notes to Consolidated Financial Statements.

ROXAS AND COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2019, 2018, AND 2017

Amounts in Thousands

	Equity Attributable to Equity Holders of the Parent Company (Note 19)									
	Capital Stock			Additional		Other Equity	Retained		Non-controlling	
	Common Stock	Preferred Stock	Total	Paid-in Capital	Treasury Stock	Reserves	Earnings	Total	Interests (Note 11)	Total Equity
Balances as at December 31, 2016	**₱2,911,886**	**₱–**	**₱2,911,886**	**₱1,627,911**	**(₱1,594,631)**	**₱330,552**	**₱3,725,264**	**₱7,000,982**	**₱380,905**	**₱7,381,887**
Net loss	–	–	–	–	–	–	(147,153)	(147,153)	(23,675)	(170,828)
Other comprehensive income	–	–	–	–	–	90,303	–	90,303	44,187	134,490
Total comprehensive income	–	–	–	–	–	90,303	(147,153)	(56,850)	20,512	(36,338)
Issuances of treasury shares	–	–	–	2,497	7,335	–	–	9,832	–	9,832
Balances as at December 31, 2017	**2,911,886**	–	**2,911,886**	**1,630,408**	**(1,587,296)**	**420,855**	**3,578,111**	**6,953,964**	**401,417**	**7,355,381**
Effect of adoption of new accounting standards (Note 3)	–	–	–	–	–	–	(3,040)	(3,040)	–	(3,040)
Balances as at January 1, 2018	**2,911,886**	–	**2,911,886**	**1,630,408**	**(1,587,296)**	**420,855**	**3,575,071**	**6,950,924**	**401,417**	**7,352,341**
Net income (loss)							240,693	240,693	(82,324)	158,369
Other comprehensive income	–	–	–	–	–	57,049	–	57,049	11,821	68,870
Total comprehensive income	–	–	–	–	–	57,049	240,693	297,742	(70,503)	227,239
Issuance of preferred shares	–	500,000	500,000	(5,000)	–	–	–	495,000	–	495,000
Issuances of treasury shares	–	–	–	30,566	44,039	–	–	74,605	–	74,605
Balances as at December 31, 2018	**2,911,886**	**500,000**	**3,411,886**	**1,655,974**	**(1,543,257)**	**477,904**	**3,815,764**	**7,818,271**	**330,914**	**8,149,185**
Net income (loss)	–	–	–	–	–	–	243,413	243,413	(67,637)	175,776
Other comprehensive income	–	–	–	–	–	119,646	–	119,646	47,796	167,442
Total comprehensive income	–	–	–	–	–	119,646	243,413	363,059	(19,841)	343,218
Issuances of treasury shares	–	–	–	13,087	79,432	–	–	92,519	–	92,519
Cash dividends declared	–	–	–	–	–	–	(42,051)	(42,051)	–	(42,051)
Balances as at December 31, 2019	**₱2,911,886**	**₱500,000**	**₱3,411,886**	**₱1,669,061**	**(₱1,463,825)**	**₱597,550**	**₱4,017,126**	**₱8,231,798**	**₱311,074**	**₱8,542,872**

See accompanying Notes to Consolidated Financial Statements.

ROXAS AND COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Amounts in Thousands

	Years Ended December 31		
	2019	2018 (As restated, Note 25)	2017 (As restated, Note 25)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax from continuing operations	**₱205,599**	₱209,083	(₱152,179)
Loss before income tax from discontinued operations (Note 25)	**(39,168)**	(34,071)	(21,176)
Adjustments for:			
Unrealized fair value gain on investment properties (Note 14)	**(763,410)**	(709,199)	–
Gain on sale of investment properties (Note 14)	**(168,408)**	–	–
Interest expense (Notes 13, 15 and 16)	**315,121**	237,921	106,669
Depreciation and amortization (Notes 12 and 13)	**160,747**	107,992	47,556
Movement in retirement benefits (Note 18)	**11,495**	(13,960)	12,643
Equity in net loss (earnings) of associates (Note 11)	**388,205**	7,508	(23,155)
Interest income (Notes 6 and 7)	**(15,278)**	(12,589)	(10,366)
Operating loss before working capital changes	**94,903**	(207,315)	(40,008)
Decrease (increase) in:			
Trade and other receivables	**(244,681)**	153,648	315,964
Real estate for sale and development	**32,217**	29,198	99,641
Inventories	**439**	(5,520)	–
Contract assets	**7,583**	(146,462)	–
Other current assets	**21,310**	(103,039)	(84,700)
Other noncurrent assets	**44,895**	107,178	(74,006)
Increase in trade and other payables	**138,496**	129,438	116,091
Net cash generated from (used in) operations	**95,162**	(42,874)	332,982
Interest received	**15,278**	12,589	10,366
Income taxes, paid including creditable withholding taxes	**(7,422)**	(8,246)	–
Net cash generated from (used in) operating activities	**103,018**	(38,531)	343,348
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment (Note 12)	**(56,182)**	(46,321)	(1,054,306)
Proceeds from sale of investment properties (Note 14)	**201,015**	–	–
Net cash from (used in) investing activities	**144,833**	(46,321)	(1,054,306)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Availments of long-term borrowings (Note 16)	**388,691**	9,152	940,965
Issuance of treasury shares (Note 19)	**92,519**	74,605	9,832
Availments of short-term borrowings	**229,634**	148,000	2,664,700
Issuance of preferred shares, net of transaction cost (Note 19)	–	495,000	–
Payments of:			
Long-term borrowings	**(711,080)**	(149,605)	–
Interest	**(299,930)**	(229,271)	(103,629)
Dividends (Note 19)	**(42,051)**	–	–
Principal portion of lease liabilities	**(35,458)**	–	–
Short-term borrowings (Note 15)	**(10,669)**	(184,000)	(2,727,926)
Net cash generated from (used in) financing activities	**(388,344)**	163,881	783,942
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FOR THE YEAR	**(140,493)**	79,029	72,984
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**215,888**	136,859	63,875
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**₱75,395**	₱215,888	₱136,859

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Thousands, Except When Otherwise Indicated)

1. Corporate Information

Roxas and Company, Inc. (the Parent Company or RCI), formerly CADP Group Corporation (CADPGC), was organized in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on October 7, 1918.

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

The purpose of RCI is to purchase, hold, pledge, transfer, sell or otherwise dispose of or deal in the shares of the capital stock, bonds, debentures, notes or other securities and evidence of indebtedness of any such securities. RCI is owned by various individual shareholders and domestic corporations, namely: SPCI Holdings, Inc. and Pesan Holdings, Inc., among others. As at December 31, 2019 and 2018, RCI has 3,301 and 3,340 shareholders, respectively.

The principal and registered office of RCI is located at 7th Floor, Cacho-Gonzales Building, 101 Aguirre Street, Legaspi Village, Makati City.

Status of Operations
The Group's current liabilities exceeded its current assets by ₱1,268.3 million and ₱1,602.7 million as of December 31, 2019 and 2018, respectively. As part of the Group's plans to reduce overall debts and to support its working capital requirements, management has been implementing aggressive sales and marketing strategies to reinforce the global and local demand of its target market to fund its operating and financing requirements and to reduce debts of its coconut manufacturing business. Also, the Group is continuously improving its hospitality business operations, to reinforce the demand of its target market and further improve liquidity and reduce debts. Also, the Group has ongoing negotiations with the creditor banks under the Bayanihan to Heal as Once Act to reschedule the repayment of debts. In addition, the Group is focusing its efforts towards selling raw land properties that gives substantial income due to higher margins and generates cash to fund its operating and financing requirements.

Approval of the Consolidated Financial Statements
The consolidated financial statements of RCI and its subsidiaries (collectively referred to as the Group) as at December 31, 2019 and 2018 and years ended December 31, 2019, 2018 and 2017 have been approved and authorized for issue by the Board of Directors (BOD) on June 26, 2020.

2. Basis of Preparation and Statement of Compliance

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for land properties under property, plant and equipment and 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 balances and transactions 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 (PFRSs), which include the availment of the relief granted by the Philippine SEC under Memorandum Circular Nos. 14-2018 and 3-2019 on Adoption of New and Amended Accounting Standards and Interpretations. PFRSs include Philippine Financial Reporting Standards, Philippine Accounting Standards and Interpretations issued by the Philippine Interpretations Committee (PIC).

3. **Summary of Changes in Accounting Policies and Disclosures**

Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous financial periods, except for the new accounting pronouncements, adopted by the Group starting January 1, 2019. Adoption of these pronouncements did not have any significant impact on the Group financial position or performance unless otherwise indicated. Additional disclosures have been included in the notes to consolidated financial statements, as applicable.

Effective beginning or after January 1, 2019

- PFRS 16, Leases

  PFRS 16 supersedes PAS 17, *Leases,* Philippine Interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease*, Philippine Interpretation SIC-15, *Operating Leases-Incentives* and Philippine Interpretation SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the balance sheet.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases. Therefore, PFRS 16 did not have an impact for leases where the Group is the lessor.

  The Group adopted PFRS 16 using the modified retrospective approach upon adoption of PFRS 16 in 2019 and elects to apply the standard to contracts that were previously identified as leases applying PAS 17 and Philippine Interpretation IFRIC-4. The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying PAS 17 and Philippine Interpretation IFRIC-4.

  The effect of adoption PFRS 16 as at January 1, 2019 is as follows:

  Consolidated statement of financial position:

	Increase (decrease)
Right-of-use assets	₱156,816
Deferred income tax assets	47,045
Lease liabilities	156,816
Deferred income tax liabilities	47,045

  The Group has lease contracts for sales office, herb garden and hotel suites. Before the adoption of PFRS 16, the Group classified each of its leases (as lessee) at the inception date as operating lease.

  Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets.

  Leases previously accounted for as operating leases
  The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application.

Based on the above, as at January 1, 2019:
- Right-of-use assets of ₱156.8 million were recognized and presented separately in the statement of financial position.
- Additional lease liabilities of ₱156.8 million were recognized.
- Deferred income tax asset and liability increased by ₱47.0 million because of the deferred tax impact of the changes in asset and liability.

The lease liability at as January 1, 2019 as can be reconciled to the operating lease commitments as of December 31, 2018 follows:

Operating lease commitments as at December 31, 2018	₱182,494
Weighted average incremental borrowing rate at January 1, 2019	6.75%
Discounted operating lease commitments at January 1, 2019	161,895
Commitments relating to short term leases	(5,079)
Lease liabilities recognized at January 1, 2019	₱156,816

The adoption of PFRS 16 has no impact on equity in 2019, since the Group elected to measure the right-of-use assets at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the consolidated statement of financial position immediately before the date of initial application.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:
- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions. The Group determined, based on its tax compliance and transfer pricing assessment, that it is probable that its tax treatments will be accepted by the taxation authority. The interpretation did not have impact in the consolidated financial statements of the Group.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

  Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

  These amendments had no impact on the consolidated financial statements of the Group.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

  - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event

  - Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

  The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

  The amendments had no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the period.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

  The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

  These amendments had no impact on the consolidated financial statements as the Group does not have long-term interests in its associate and joint venture.

- *Annual Improvements to PFRSs* 2015-2017 Cycle
  - Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*

    The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

    A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

    An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where joint control is obtained.

  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

    The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

    An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments had no impact on the consolidated financial statements of the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

  - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

    The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

    An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

    Since the Group's current practice is in line with these amendments, they had no impact 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 statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Current versus Noncurrent Classification
The Group presents assets and liabilities in the consolidated statements of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within 12 months after the reporting period or
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within 12 months after the reporting period or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period

The Group classifies all other liabilities as noncurrent.

Deferred income tax assets and retirement plan assets are classified as noncurrent assets while deferred income tax liabilities and accrued retirement benefits are classified as noncurrent liabilities.

Basis of Consolidation
The consolidated financial statements of the Group include the financial statements of the Parent Company and the following subsidiaries (all incorporated and domiciled in the Philippines) as of December 31, 2019 and 2018:

	Percentage of Ownership		Noncontrolling Interests		
	2019	2018	**2019**	2018	Description of Business
Roxaco Land Corporation (RLC)*	**100.00**	100.00	**–**	–	Real estate
Roxaco-Asia Hospitality Corporation (RAHC)**	**51.00**	51.00	**49.00**	49.00	Hotel and leisure
SAMG Memorial Management & Services Inc. (SMMSI)	**100.00**	100.00	**–**	–	Funeral and related services
Roxas Sigma Agriventures, Inc. (RSAI)***	**88.81**	88.81	**11.19**	11.19	Manufacturing
Roxas Green Energy Corporation (RGEC)	**100.00**	100.00	**–**	–	Generation and distribution of energy
United Ventures Corporation (UVC)****	**100.00**	100.00	**–**	–	Warehouse leasing

** On April 16, 2018, its BOD and stockholders authorized RLC to merge with Anya Hotels and Resorts Corporation (AHRC), with RLC as the surviving entity. On December 6, 2018, the Philippines SEC approved the merger of RLC and AHRC.*
On July 23, 2018, the BOD and stockholders authorized RLC to merge with Anya Hospitality Corporation (AHC), with RLC as the surviving entity. On February 18, 2019, the Philippine SEC approved the merger of AHC into RLC with RLC being the surviving corporation.

*** On May 21, 2018, its BOD approved to change its corporate name from Roxaco-Vanguard Hotels Corporation (RVHC) to Roxaco-Asia Hospitality Corporation (RAHC) and amended the Articles of Incorporation. The Philippine SEC approved the amendment on October 19, 2018.*

**** On December 17, 2018, an additional subscription amounting to ₱200.0 million equivalent to 2.0 million shares, equivalent to 41% of the increase in capital stock, have been fully paid by the Parent Company through the conversion of a portion from its advances to RSAI.*

*****The application for dissolution is still pending with the SEC and BIR as at December 31, 2019.*

The Parent Company or its subsidiaries controls an investee if, and only if, the following criteria are met:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

When the Parent Company or its subsidiaries have less than a majority of the voting or similar rights of an investee, the Parent Company or its subsidiaries consider all relevant facts and circumstances in assessing whether they have power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Parent Company or its subsidiaries voting rights and potential voting rights

The Parent Company or its subsidiaries reassess whether or not they control an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Parent Company or its subsidiaries obtain control over the subsidiary and ceases when it ceases to have control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date control is lost.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group’s accounting policies.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company. All intra-group balances, transactions, unrealized gains and losses, resulting from intra-group transactions and dividends are eliminated in full.

A change in the ownership interest in a subsidiary, without a loss of control, is accounted for as an equity transaction. When the Parent Company loses control of a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any noncontrolling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the Parent Company’s share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Parent Company had directly disposed of the related assets or liabilities.

Non-controlling interest represents the interest in the subsidiaries not held by the Parent Company and are presented separately in the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and within equity in the consolidated statement of financial position, separate from the equity attributable to the parent company.

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 acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are recognized as expense. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PFRS 9, *Financial Instruments,* is measured at fair value with the changes in fair value recognized in the statement of profit or loss in accordance with PFRS 9. Other contingent consideration that is not within the scope of PFRS 9 is measure at fair value at each reporting date with changes in fair value recognized in profit or loss.

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 (i.e. controlling shareholders) 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.

Comparative 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 and any previous interest held 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 and is not tested for impairment separately.

Financial Instruments

Accounting Policies Effective Starting January 1, 2018

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Initial recognition and measurement of financial assets
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through OCI (FVTOCI), and fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or FVTOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement of financial assets
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVTOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVTOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

The Group has no financial assets at FVTOCI with recycling of cumulative gains and losses (debt instruments), financial assets designated at FVTOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments) and financial assets at FVTPL.

Financial assets at amortized cost
This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in consolidated statement of income when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes cash and cash equivalents, trade and other receivables and refundable deposits.

Impairment of financial assets
The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix for trade receivables and a vintage analysis for sales contract receivables and contract assets that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets such accrued receivable, receivable from related parties and advances to other companies, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash and cash equivalents, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from Standard and Poor's (S&P), Moody's and Fitch to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’. The key inputs in the model include the Group’s definition of default and historical data of three year for the origination, maturity date and default date. The Group considers trade receivables and contract assets in default when contractual payment are 90 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records which are administrative in nature which may extend the definition of default to 90 days and beyond. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Determining the stage for impairment
At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition.

The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. To estimate the ECL, the Group uses the ratings published by a reputable rating agency.

Initial recognition and measurement of financial liabilities
Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

As of December 31, 2019 and 2018, the Group’s financial liabilities include trade and other payables and short-term and long-term borrowings.

Subsequent measurement - other financial liabilities
This category pertains to financial liabilities that are neither held for trading nor designated as at FVTPL upon the inception of the liability. After the initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized costs using the effective interest method, taking into account the impact of any issue costs and discount or premium. Gains and losses are recognized in consolidated statement of income when the liabilities are derecognized as well as through the amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in consolidated statement of income.

Accounting Policies Effective Prior to January 1, 2018

Financial Instruments

Date of recognition

The Company recognizes a financial asset or a financial liability in the consolidated balance sheet when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial recognition and classification of financial instruments

Financial assets and financial liabilities are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). Except for financial instruments measured at FVTPL, the initial measurement of all financial instruments includes transaction costs.

On initial recognition, the Company classifies its financial assets in the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity (HTM) investments and AFS investments. The Company also classifies its financial liabilities into FVTPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired or whether they are quoted in an active market. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at each financial year-end.

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 instruments or a component that is a financial liability, are reported 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.

As of December 31, 2017, the Group has no financial assets and financial liabilities at FVTPL, HTM investments and AFS investments.

"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 consolidated statement of income unless it qualifies for recognition as some other type of asset. For each transaction, the Group determines the appropriate method of recognizing a "day 1" difference amount.

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 FVTPL.

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 consolidated statement of income using EIR 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 consolidated statement of income when loans and receivables are derecognized or impaired, as well as through the amortization process.

Classified as loans and receivables are the cash and cash equivalents, trade and other receivables and refundable deposits as at December 31, 2017.

Other financial liabilities
Other financial liabilities pertain to financial liabilities that are not held for trading and are not designated at FVTPL 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) activities.

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the EIR method; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in consolidated statement of income over the term of the borrowings using the EIR 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, which is 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 EIR method of amortization (or accretion) for any related premium (or discount) and any directly attributable transaction costs.

Classified as other financial liabilities are trade and other payables (excluding statutory payables and deferred income) and short-term and long-term borrowings as at December 31, 2017.

Impairment of financial assets
The Group assesses at the end of each reporting year whether a financial asset or a group of financial assets is impaired. If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original EIR (i.e., the EIR 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, or continues to be, 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 or has been transferred to the Group. 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.

Accounting policies applicable to all periods presented

Derecognition of financial assets and liabilities
Financial assets. 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 have 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 or entered into a pass through arrangement 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, if any, 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.

Financial liabilities. 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 financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to set off the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and that are subject to an insignificant risk of changes in value.

Fair Value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level of 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 of input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level of input that is significant to the fair value measurement is unobservable

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

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 to the consolidated financial statements:

- Significant Judgments, Accounting Estimates and Assumptions
- Fair Value Measurement

Real Estate Properties for Sale and Development
Real estate properties for sale and development consists of developed real estate properties for sale, raw land and land improvements. These are properties acquired or being constructed for sale in the ordinary course of business rather than to be held for rental or capital appreciation.

Developed real estate properties for sale, raw land and land improvements are carried at the lower of aggregate cost and net realizable value (NRV). Costs include costs incurred for development and improvement of the properties and qualifying 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. The carrying amount of inventories is reduced through the use of allowance account and the amount of loss is charged to profit or loss.

The cost of inventory recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs. The total costs are allocated pro-rate based on the relative size of the property sold.

Repossessed Inventories
Repossessed inventories represent the acquisition costs of real estate properties sold but subsequently reacquired by the Group due to buyer's default on payment of monthly amortization. These are measured at cost at the time of repossession.

Inventories
Inventories are valued at the lower of cost or net realizable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

a. Raw materials - Purchase cost and directly attributable costs determined using the moving average method.
b. Finished Goods and Work in Process - Cost includes raw materials, direct labor, other direct costs and related manufacturing overhead using the weighted average method.
c. Packaging Materials and Other Supplies - Purchase cost and directly attributable costs determined using the moving average method.

Net realizable value of finished goods is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Net realizable value of raw materials, packaging materials and other supplies is the current replacement cost.

Other Current Assets
This account consists of creditable withholding taxes (CWT), input value-added tax (VAT) and prepaid expenses. Other current assets are carried at face value.

CWT represents the total accumulated tax credits for current and prior year's excess credits that will be applied against any income tax due.

Prepaid expenses represent expenses not yet incurred but already paid in cash. Prepaid expenses 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.

Prepaid expenses are classified as current asset when the cost of goods or services related to the prepaid expenses is expected to be incurred within one year. Otherwise, prepaid expenses 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 or joint control, over the financial and operating policy decisions of the investee. 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 equal 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 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 Anya Resorts and Residences in Tagaytay, Cavite (the "Project"). 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, Plant and Equipment

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

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

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

The net appraisal increment resulting from the revaluation of land is presented as "Revaluation increment on land" under "other equity reserves account" in the consolidated statement of financial position and consolidated statement of changes in equity. Increases in the carrying amount arising on revaluation of land are recognized in the consolidated statement of comprehensive income and credited to other equity reserves in the consolidated statement of changes in equity, net of related deferred tax effect. Any resulting decrease is directly charged against the related revaluation increment on land to the extent that the decrease does not exceed the amount of the revaluation in respect of the same asset. All other decreases are charged to profit or loss. Valuations are performed frequently to ensure that the fair value of land does not differ significantly from its carrying amount.

The portion of appraisal increase on land, net of related deferred tax effect, realized upon disposal of the property is transferred to unrestricted retained earnings.

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

Asset Category	Number of Years
Buildings*	40
Land improvements	10
Building improvements	5
Machinery and equipment	5-25
Transportation equipment	3 to 6
Office furniture, fixtures and equipment	3 to 10

**including the coconut processing plant*

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) and the date the asset is derecognized.

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

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

The assets' residual values, estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

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

When an asset is disposed of or is permanently withdrawn from use and no future economic benefits are expected from its retirement or 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 in the year it was derecognized.

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.

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.

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 in the period of derecognition.

Impairment of Nonfinancial Assets

The carrying amounts of investments in associates, property, plant and equipment carried at cost, right-of-use assets 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 or cash generating unit's (CGU) 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. Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized. After such a reversal, the depreciation and amortization are adjusted in future years to allocate the asset's revised carrying amount on a systematic basis over its remaining useful lives.

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 portion which is not available for any dividend declaration. Unappropriated or unrestricted retained earnings represent 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 and remeasurement loss on retirement liability, which are presented as part of "Other equity reserves" account in the consolidated statement of financial position.

Revenue and Cost Recognition

Accounting policies effective January 1, 2018

Revenue from contracts with customer is recognized when control of the goods and services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods and services before transferring them to the customer.

On February 14, 2018, the PIC issued PIC Q&A 2018-12 (PIC Q&A) which provides guidance on some implementation issues of PFRS 15 affecting the real estate industry. On October 25, 2018 and February 8, 2019, the Philippine SEC issued SEC Memorandum Circular No. 14 Series of 2018 and SEC Memorandum Circular No. 3 Series of 2019, respectively, providing relief to the real estate industry by deferring the application of the following provisions of the above PIC Q&A for a period of three years until December 31, 2020:

a. Exclusion of land and uninstalled materials in the determination of percentage of completion (POC) discussed in PIC Q&A No. 2018-12-E
b. Accounting for significant financing component discussed in PIC Q&A No. 2018-12-D

c. Accounting to Common Usage Service Area (CUSA) Charges discussed in PIC Q&A No. 2018-12-H

Under the same SEC Memorandum Circular No. 3 Series of 2019, the adoption of PIC Q&A No. 2018-14: *PFRS 15 - Accounting for Cancellation of Real Estate Sales* was also deferred until December 31, 2020. The SEC Memorandum Circular also provided the mandatory disclosure requirements should an entity decide to avail of any reliefs. Disclosures should include:

a. The accounting policies applied.
b. Discussion of the deferral of the subject implementation issues in the PIC Q&A.
c. Qualitative discussion of the impact to the consolidated financial statements had the concerned application guideline in the PIC Q&A has been adopted.
d. Should any of the deferral options result into a change in accounting policy (e.g., when an entity excludes land and/or uninstalled materials in the POC calculation under the previous standard but opted to include such components under the relief provided by the circular), such accounting change will have to be accounted for under PAS 8, i.e., retrospectively, together with the corresponding required quantitative disclosures.

Except for the CUSA charges discussed under PIC Q&A No. 2018-12-H which applies to leasing transactions, the above deferral will only be applicable for real estate sales transactions.

Effective January 1, 2021, real estate companies will adopt PIC Q&A No. 2018-12 and PIC Q&A No. 2018-14 and any subsequent amendments thereof retrospectively or as the Philippine SEC will later prescribe.

The Group availed of the deferral of adoption of the specific provisions of PIC Q&As. Had these provisions been adopted, it would have the following impact in the financial statements:

a. The exclusion of land and uninstalled materials in the determination of POC would reduce the percentage of completion of real estate projects resulting in a decrease in retained earnings as at January 1, 2018 as well as a decrease in the revenue from real estate sales in 2019 and 2018. This would result to the land portion of sold inventories together with connection fees, to be treated as contract fulfillment asset.

b. The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments explicit in the contract to sell would constitute a significant financing component. Interest income would have been recognized for contract assets and interest expense for contract liabilities using EIR method and this would have impacted retained earnings as at January 1, 2018 and the revenue from real estate sales in 2019 and 2018. Currently, any significant financing component arising from the mismatch discussed above is not considered for revenue recognition purposes.

c. Upon sales cancellation, the repossessed inventory would be recorded at fair value plus cost to repossess (or fair value less cost to repossess if this would have been opted). This would have increased retained earnings as at January 1, 2018 and gain from repossession in 2019 and 2018. Currently, the Group records the repossessed inventory at its original carrying amount and recognize any difference between the carrying amount of the derecognized receivable and the repossessed property in profit or loss.

Real estate sales
The Group derives its real estate revenue from sale of lots, house and lot and condominium units. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Group uses input method. Input methods recognize revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation. Progress is measured based on actual resources consumed such as materials, labor hours expended and actual overhead incurred relative to the total expected inputs to the satisfaction of that performance obligation, or the total estimated development costs of the real estate project. The Group uses the cost accumulated by the accounting department to determine the actual resources used. Input method exclude the effects of any inputs that do not depict the entity's performance in transferring control of goods or services to the customer. The Group availed of the deferral of adoption of the specific provisions of PIC Q&As No. 2018-12 as the Group continues to include land and uninstalled materials in the determination of POC.

Estimated development costs of the real estate project include costs of land, land development, building costs, professional fees, depreciation of equipment directly used in the construction, payments for permits and licenses. Revisions in estimated development costs brought about by increases in projected costs in excess of the original budgeted amounts, form part of total project costs on a prospective basis.

Any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as installment contract receivables, under trade receivables, is included in the "contract asset" account in the asset section of the consolidated statement of financial position.

In determining the transaction price, an entity shall adjust the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the entity with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. The Group does not adjust the transaction price for the effects of the significant financing component as it availed the relief provided by the Philippine SEC.

Any excess of collections over the total of recognized installment contract receivables is included in the "contract liabilities" account in the liabilities section of the consolidated statement of financial position.

Cost recognition on real estate contracts
The Group recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as land and connection fees. These include costs of land, land development costs, building costs, professional fees, depreciation, permits and licenses and capitalized borrowing costs. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of sales while the portion allocable to the unsold area being recognized as part of real estate inventories.

In addition, the Group recognizes as an asset only costs that give rise to resources that will be used in satisfying performance obligations in the future and that are expected to be recovered.

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.

Hotel and resorts revenue
The Group recognizes revenue from hotel operations at a point in time (i.e., when the related service and goods are rendered or served). Revenue from banquets and other special events are recognized when the events take place.

Cost of hotel operations
Cost of hotel operations pertains to expenses incurred in relation to sale of goods and rendering of services. These are recognized when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen than can be measured reliably. These are recognized when incurred and measured at the amount paid or payable.

Sale of goods
Sale of goods is recognized at a point in time, i.e., when the control of the goods are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and services.

Cost of goods sold
Cost from sale of goods is recognized when goods are delivered to and accepted by the customers.

Management fees

Revenue from management services is recognized over time because the customer simultaneously receives the benefits as the Group performs the services. The Group uses the input method to measure the progress, which is a time-based measure that results in a straight-line recognition of revenue. Payment is due within 30 days.

Contract balances
Contract assets. A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

In September 2019, the Philippine Interpretations Committee (PIC) issued additional guidance to the real estate industry on the implementation of PFRS 15, including guidance on the recording of the difference between the consideration received from the customer and the transferred goods to the customer (i.e., measured based on percentage-of-completion). The PIC allowed real estate companies to recognize the difference as either a contract asset or unbilled receivable. If presented as a contract asset, the disclosures required under PFRS 15 should be complied with. Otherwise, the disclosures required under PFRS 9 should be provided.

The Group opted to retain its existing policy of recording the difference between the consideration received from the customer and the transferred goods to the customer as contract asset.

Contract liabilities. A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

Other performance obligations
The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

Costs to obtain contract
The incremental costs of obtaining a contract with a customer are recognized as an asset if the Group expects to recover them. The Group has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the "Real estate costs and expenses" account in the consolidated statement of income.

Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

Amortization, de-recognition and impairment of capitalized costs to obtain a contract
The Group amortizes capitalized costs to obtain a contract to cost of sales over the expected construction period using percentage of completion following the pattern of real estate revenue recognition. The amortization is included within cost of sales.

A capitalized cost to obtain a contract is derecognized either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.

At each reporting date, the Group determines whether there is an indication that cost to obtain a contract maybe impaired. If such indication exists, the Group makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Group expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Group uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant costs or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific performance indicators that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, there judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

Accounting policies prior to January 1, 2018

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 contract price is demonstrated by the buyer's commitment to pay, which is supported by the buyer's initial and continuous investments that motivates the buyer to honor its obligation. Collectability is also assessed by considering factors such as collections, credit standing of the buyer, age and location of the property.

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.

Revenue from sales of raw land is accounted for using the full accrual method.

Any excess of collections over the recognized receivables are included in the "Deferred income" account presented under "Trade and other payables" account in the consolidated statement of financial position.

If any of the criteria under the full accrual or POC 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 presented under "Trade and other payables" account in 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.

Hotel revenue
Hotel revenue from room rentals and other ancillary services are recognized when the services are rendered and revenue from food and beverage sales is recognized when orders are served. Revenue from other ancillary services include, among others, business center and car rental, laundry service, telephone service and health club services.

Sale of goods
Sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, which is generally recognized upon delivery of the goods and acceptance by the buyer.

Accounting policies applicable to all periods presented

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 EIR method.

Other income
Other income is recognized when earned.

Expense Recognition
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. A liability is also recognized for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably. Short-term employee benefits 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 an individual and separate defined benefit retirement plans. 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 non-routine 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.

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

Leases

Accounting policies effective January 1, 2019

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use Assets
The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the

Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Right-of-use assets are subject to impairment. Refer to the accounting policies in section impairment of noncurrent non-financial assets.

Lease Liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term Leases and Leases of Low-Value Assets
The Group applies the short-term lease recognition exemption to its short-term leases of commercial space (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Accounting policies prior to January 1, 2019

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A reassessment is made after inception of 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; or
b. a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term; or
c. there is a change in the determination of whether fulfillment is dependent on a specified asset; or
d. there is a substantial change to the asset.

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

Operating leases
Leases where the lessor retains substantially all the risks and rewards related to the ownership of the assets are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

<u>Foreign Currency-denominated Transactions</u>
Items included in the consolidated financial statements of each of the Group's entities are measured using the functional currency.

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

<u>Income Taxes</u>
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, carry forward benefits of unused tax credits (excess of minimum corporate income taxes or MCIT over regular corporate income taxes or RCIT) and unused tax losses (net operating loss carryover or NOLCO), to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences and 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 current income tax assets against the current 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.

Discontinued Operations and Assets Held for Sale
The Group classifies noncurrent assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Noncurrent assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:
- represents a separate major line of business or geographical area of operations
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of income.

Additional disclosures are provided in Note 25. All other notes to the consolidated financial statements include amounts for continuing operations, unless indicated otherwise.

VAT
Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated statement of financial position to the extent of the recoverable amount.

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.

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 (consolidated net income less dividends on preferred shares) 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.

Share-based Payments
A certain employee and directors of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

Equity-settled transactions
The cost of equity-settled transactions is determined by the fair value at the date when the grant is made. That cost is recognized in employee benefits expense and director's remuneration fee, together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period).

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. Reportable operating segments primarily consist of the real estate business, hotel, manufacturing and other segments, which are not reported separately.

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 Period

Post year-end events that provide additional information about the Group's financial position at the end of the reporting period (adjusting events) are reflected in the 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.

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. The Group intends to adopt the following pronouncements when they become effective. Unless otherwise indicated, adoption of these pronouncements is not expected to have a significant impact on the consolidated financial statements.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

  These amendments will apply on future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements,* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgments.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

- *Deferment of Implementation of IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (IAS 23, Borrowing Cost) for the Real Estate Industry*

  In March 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue is/will be recognized over time under par. 35(c) of IFRS 15. IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of a qualifying asset under IAS 23 considering that these inventories are ready for their intended sale in their current condition.

  The IFRIC agenda decision would change the Group's current practice of capitalizing borrowing costs on real estate projects with pre-selling activities.

  On February 11, 2020, the Philippine SEC issued Memorandum Circular No. 4, Series of 2020, providing relief to the Real Estate Industry by deferring the mandatory implementation of the above IFRIC Agenda Decision until December 31, 2020. Effective January 1, 2021, the Real Estate Industry will adopt the IFRIC agenda decision and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. A real estate company may opt not to avail of the deferral and instead comply in full with the requirements of the IFRIC agenda decision.

  For real estate companies that avail of the deferral, the SEC requires disclosure in the Notes to the Financial Statements of the accounting policies applied, a discussion of the deferral of the subject implementation issues, and a qualitative discussion of the impact in the financial statements had the IFRIC agenda decision been adopted.

The Group opted to avail of the relief as provided by the SEC. Had the Group adopted the IFRIC agenda decision, borrowing costs capitalized to real estate inventories related to projects with pre-selling activities should have been expensed out in the period incurred.

This adjustment should have been applied retrospectively and would have resulted to restatement of prior year's consolidated financial statements. A restatement would have impacted interest expense, cost of sales, provision for deferred income tax, real estate inventories, deferred tax liability and opening balance of retained earnings.

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

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

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

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

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

Revenue recognition method and measure of progress
The Group concluded that revenue for real estate sales is to be recognized over time because: (a) the Group's performance does not create an asset with an alternative use and; (b) the Group has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Group's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date. In addition, the Group requires a certain percentage of buyer's payments of total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. Reaching this level of collection is an indication of buyer's continuing commitment and the probability that economic benefits will flow to the Group. The Group considers that the initial and continuing investments by the buyer of about 10% would demonstrate the buyer's commitment to pay.

The Group has determined that input method used in measuring the progress of the performance obligation faithfully depicts the Group's performance in transferring control of real estate development to the customers. The Group availed of the deferral of adoption of the specific provisions of PIC Q&A 2018-12 specifically on the exclusion of land and uninstalled materials in computing the percentage of completion.

Definition of default and credit-impaired financial assets
The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria - for installment contracts receivable, the customer receives a notice of cancellation and does not continue the payments.

Qualitative criteria - The customer meets unlikeliness to pay criteria, which indicates the customer is in significant financial difficulty.

The criteria above have been applied to the financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) throughout the Group's expected loss calculation.

Incorporation of forward-looking information
The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

To do this, the Group considers a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs. Based on the Group's evaluation and assessment and after taking into consideration external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies, monetary authorities and selected private-sector and academic institutions.

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

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.

Determination of arrangements containing a lease - yield guarantee to real estate buyers
At inception of a contract, an entity shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In 2014, the Group entered into a leaseback program agreement with various buyers of Anya Resort Suites. The said buyers will be entitled to a guaranteed yield along with the usage allowance for the first five years upon full opening of the resort, equivalent to 31% to 37% of the purchase price, inclusive of fixtures, furniture and equipment and VAT, or a variable yield which is computed based on the proportion of the Unit Owners' Group share of gross rental revenue that the size of the unit (in sq. m.) bears to the total size of the units. The hotel operator will be AHRC, a wholly owned subsidiary of RLC.

The guaranteed funds will be distributed each quarter and will start from the date of full opening and operations of the resort. These yield guarantees qualify as leases under PFRS 16, *Leases*, and are considered as leases of hotel suites (see Note 13). Variable yield guarantees are not considered in the recognition of right-of-use assets and lease liabilities for leases of hotel suites as these are treated as variable lease payments under PFRS 16. Variable yield guarantees are recognized as expense in the period these are incurred.

Determination of lease term of contracts with renewal and termination options - the Group as a lessee
The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Group did not include the renewal period as part of the lease term for the lease of sales office and herb garden. The Group typically exercises its option to renew for this lease but upon mutual consent of both parties. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Classification of investment properties
Management determines the classification of a property depending on its eventual realization of the asset. The significant portion of the Group's parcels of land have been subjected to the revised Notice of Coverage (NOC) issued by Department of Agrarian Reform (DAR) under the Comprehensive

Agrarian Reform Law (CARL). On October 25, 2017, Court of Appeals (CA) has partially granted the Group's Petition for Certiorari dated June 26, 2014, in which the NOC issued by DAR last October 22, 2014 were nullified and set aside. Subsequently, the Group filed a Motion for Reconsideration over the issuance of Certificate of Land Ownership Awards (CLOAs) by DAR in favor of the farmer-beneficiaries (see Note 28).

On August 13, 2018, the Parent Company received the Court of Appeals Resolution, which dismissed the Parent Company and DAR's Motions for Partial Reconsideration. The Parent Company subsequently filed a Petition for Review on Certiorari under Rule 45 of the Rules of Court to assail the Court of Appeals' Decision and Resolution before the Supreme Court. In the meantime, DAR, through Office of the Solicitor General (OSG), filed its own Petition for Review on Certiorari.

On November 19, 2018, the Parent Company filed a Comment/Opposition Ad Cautelam to DAR's said petition. The petitions filed by the Parent Company and DAR were consolidated and are now pending before the Supreme Court (see Note 28).

The Group has determined that still has the legal title over the land properties under CARL. Since there is still no final decision by the courts, the land properties can still be classified under investment properties.

Determining the classification of assets held for sale and discontinued operations
On November 7, 2019, the Board of Directors announced its decision to discontinue the operations of Go Hotel Cubao. Operations of the said site are classified as assets held for sale. The Board considered the site to meet the criteria to be classified as held for sale at that date for the following reasons:

- it is available for immediate sale and can be sold to the buyer in its current condition;
- the actions to complete the sale were initiated and expected to be completed within one year from the date of initial classification;
- a potential buyer has been identified and negotiations as at the reporting date are at an advance stage;
- the Board of Directors approved the plan to sell on January 6, 2020.

As at December 31, 2019, assets held for sale amounted to ₱373.7 million (see Note 25).

The planned sale of the Go Hotel Cubao assets represents a disposal of a separate major operating segment of the Group, hence, the disclosure of discontinued operations (see Note 25).

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting date 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.

Revenue and cost recognition
The Group's revenue recognition and cost policies require management to make use of estimates and assumptions that may affect the reported amount of revenue and cost.

The Group's real estate sales is recognized over time and the percentage-of-completion is determined using input method measured principally based on total actual cost of resources consumed such as materials, labor hours expended and actual overhead incurred over the total expected project development cost. Sales of real estate properties amounted to ₱236.8 million, ₱106.8 million and ₱322.7 million for the years ended December 31, 2019, 2018 and 2017, respectively. Cost of real estate sales amounted to ₱86.4 million, ₱70.7 million and ₱176.9 million for the years ended December 31, 2019, 2018 and 2017, respectively.

Leases - Estimating the incremental borrowing rate
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the Group's stand-alone credit rating).

The Group's lease liabilities amounted to ₱126.7 million as of December 31, 2019 (see Note 13).

Determination of fair value of the investment properties and land properties under property, plant and equipment
The Group accounts for its investment properties at fair value and its land properties under property, plant and equipment at revalued amount. The fair value of the investment properties and land under property, plant and equipment were determined by professional qualified independent appraisers. Investment properties are valued using generally acceptable valuation techniques and methods and estimates based on local market conditions. The land properties under property, plant and equipment are carried at revalued amount, which approximates its fair value at the date of the revaluation. The fair value was arrived at using the Sales Comparison Approach for land using gathered available market evidences. This considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison and adjustments to sales price which pertain to factors affecting value such size, location, time and shape. Revaluations are made on a regular basis to ensure that the carrying amounts do not differ materially from those which would be determined using fair values at the end of the reporting period.

Investment properties, including land properties that are subjected to the CARL with total land area of approximately 2,300.6 hectares and total cost of ₱4,316.3 million as at December 31, 2019 and 2018, are stated at fair value amounting to ₱6,010.8 million and ₱5,280.0 million as at December 31, 2019 and 2018, respectively (see Note 14). For the year ended December 31, 2019, determination of the fair value of the investment properties is based on the latest appraisal report made on December 6, 2019. Land carried at revalued amounts as at December 31, 2019 and 2018 amounted to ₱816.4 million and ₱773.5 million, respectively (see Note 12). The resulting increase in the valuation of these assets is presented under "Appraisal increase on land of a subsidiary" in the consolidated statement of comprehensive income and recorded under "Other Equity Reserves" in the consolidated statement of changes in equity.

Estimation of useful lives of property, plant and equipment
The estimated useful life of each of the Group's items of property, plant and equipment is estimated based on the year over which the asset is expected to be available for use. Such estimation is based on a collective assessment of practices of similar businesses, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by the changes in the factors in the foregoing. A change in the estimated useful life of any item of property, plant and equipment would impact the recorded operating expense and noncurrent assets.

The carrying value of the depreciable property, plant and equipment as at December 31, 2019 and 2018 amounted to ₱2,647.4 million and ₱3,001.6 million, respectively (see Note 12).

Estimation of allowance for ECL
The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

As at December 31, 2019 and 2018, the carrying amount of the trade and other receivables (including noncurrent portion of installment contract receivables and contract assets) amounted to ₱423.6 million and ₱311.8 million (see Notes 7 and 20), respectively. Allowance for ECL of receivables amounted to ₱14.6 million as at December 31, 2019 and 2018 (see Note 7).

Determination of NRV of real estate properties for sale and development
The NRV of real estate properties for sale and development are based on the most reliable evidence available at the time the estimates of the amount that the real estate properties 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 properties 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 carrying amount of real estate properties for sale and development amounted to ₱503.9 million and ₱536.1 million as at December 31, 2019 and 2018, respectively (see Note 8). No allowance for impairment losses on real estate properties for sale and development is necessary as of December 31, 2019 and 2018 (see Note 8).

Assessment of impairment of nonfinancial assets
The Group assesses at the end of each reporting period whether there is any indicator 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 nonfinancial assets which involves the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the use of estimates and assumptions that can materially affect the consolidated financial statements. Future events could indicate that these nonfinancial assets 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 revenue or other external indicators) as of December 31 are as follows:

	2019	2018
Investments in associates (Note 11)	**₱1,997,069**	₱2,315,439
Property, plant and equipment, excluding land carried at revalued amount (Note 12)	**2,647,707**	3,001,563
Right-of-use assets (Note 13)	**117,243**	–

Investment in RHI's shares

The fair value of RHI's shares listed in the PSE is lower than its carrying amount as of December 31, 2019. Management assessed that this is an indicator that the investment may be impaired and evaluated its recoverable amount based on its value in use.

The recoverable amount has been determined based on the value-in-use calculations using cash flow projections from financial budgets covering as approved by management a five-year period of projection. The projected cash flows were based on expectations on future outcomes taking into account past experiences, adjusted for anticipated revenue growth based on management's future plans. The key assumptions used in determining the recoverable amount as of December 31, 2019 are as follows:

Discount rate (11.53% in 2019) - The discount rate applied to the cash flows is based on the risk free rate for 10-year bonds issued by the government in the respective market, adjusted for a risk premium to reflect both the increased risk of investing in equities and the systematic risk of the specific CGU. In making this adjustment, inputs required are the equity market risk premium (that is the required increased return over and above a risk-free rate by an investor who is investing in the market as a whole) and the risk adjustment beta, applied to reflect the risk of the specific cash-generating unit relative to the market as a whole.

In determining the risk-adjusted discount rate, management has applied an adjustment for the systematic risk to RHI's operations determined using an average of the betas of comparable listed companies across the world. Management has used market risk premium that takes into consideration studies by independent economists.

Sales growth (average of less than 7.00% year on year) - Management based the projected sales growth on the production capacity of its plant over the forecast period.

Terminal growth rate (2.00% in 2019) - Cash flows beyond the five-year period are extrapolated using a growth rate of 2.0% which is within the long-term average growth rate for sugar industry.

Manufacturing costs ratio (averaging at 88.20% over the forecast period in 2019) - Management based the ratio of production costs over gross income on its historical experience.

Operating expenses ratio (averaging at 6.14% over the forecast period in 2019) - Management based the ratio of operating expenses over gross income on its historical experience.

Management believes that no reasonably possible change in any of the above assumptions would cause the carrying value of the investment to exceed its recoverable amount.

Based on management's value-in-use calculation, no impairment loss needs to be recognized on the investment as the recoverable amount is higher than carrying value.

<u>Coconut processing plant</u>
As at December 31, 2019, the Group's coconut processing plant with carrying amount of ₱891.2 million was underutilized. Management assessed this as an indicator of impairment and evaluated the recoverable amount of the property, plant and equipment based on its value in use.

In assessing whether there is any indication that an asset may be impaired, the Group considers external and internal sources of information. In 2019, with the current sales level, there is downtime in production and the production plant is not fully utilized. Consequently, the Group estimated the recoverable amount of the cash-generating unit (CGU) relating to RSAI. The CGU is composed of working capital and property and equipment used in the operations of RSAI.

The recoverable amount has been determined based on the value-in-use calculations using cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. The projected cash flows were based on expectations on future outcomes taking into account past experiences, adjusted for anticipated revenue growth based on management's future plans. The key assumptions used in determining the recoverable amount as of December 31, 2019 are as follows:

Discount rate (11.48% in 2019) - The discount rate applied to the cash flows is based on the risk free rate for 10-year bonds issued by the government in the respective market, adjusted for a risk premium to reflect both the increased risk of investing in equities and the systematic risk of the specific CGU. In making this adjustment, inputs required are the equity market risk premium (that is the required increased return over and above a risk-free rate by an investor who is investing in the market as a whole) and the risk adjustment beta, applied to reflect the risk of the specific cash-generating unit relative to the market as a whole.

In determining the risk-adjusted discount rate, management has applied an adjustment for the systematic risk to the coconut processing plant's operations determined using an average of the betas of comparable listed companies across the world. Management has used market risk premium that takes into consideration studies by independent economists.

Growth rate in sales (average of less than 1% year on year)- The growth rate applied is based on the impact of estimated future utilization rate. The annual projected growth rate is used in the computation of future earnings before interest and taxes (EBIT) over the forecast period.

Plant capacity utilization rate - The utilization rate applied is based on the assumption that the Group is operating in its target capacity.

Gross profit ratio (averaging at 40% over the forecast period in 2019) - Management based the ratio of gross profit over revenue on its normal capacity.

Operating expenses ratio (averaging at 16% over the forecast period in 2019) - Management based the ratio of operating expenses over revenue on its historical experience.

EBIT over the forecast period in 2019 - EBIT forecast after 2022 until the CGU's end of useful life is highly dependent on the forecasted EBIT in 2022.

Management believes that no reasonably possible change in plant capacity utilization, revenue from sale of goods, gross profit ratio and operating expenses ratio would cause the carrying value of the CGU to exceed its recoverable amount.

Based on management's assessment, the recoverable amount of CGU is higher than the carrying value, thus no impairment loss was noted on the property and equipment used in the coconut production business of the Group with carrying amount of ₱891.2 million as of December 31, 2019.

Management recognizes that future aggressive sales and marketing strategies of the major competitors can have a significant impact on growth rate assumptions. A decrease in the revenue from sale of goods by 15% would result in an impairment.

<u>Anya Resorts Tagaytay</u>
In 2019, actual occupancy rate relating to the Group's operations in Anya Resorts Tagaytay (ART) is lower than budget. Consequently, the Group estimated the recoverable amount of the CGU relating to ART. The CGU is composed of working capital and property and equipment used in the operations of ART.

The recoverable amount has been determined based on the value-in-use calculations using cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. The projected cash flows were based on expectations on future outcomes taking into account past experiences, adjusted for anticipated revenue growth based on management's future plans. The key assumptions used in determining the recoverable amount as of December 31, 2019 are as follows:

Discount rate (10.85% in 2019) - The discount rate applied to the cash flows is based on the risk free rate for 10-year bonds issued by the government in the respective market, adjusted for a risk premium to reflect both the increased risk of investing in equities and the systematic risk of the specific CGU. In making this adjustment, inputs required are the equity market risk premium (that is the required increased return over and above a risk-free rate by an investor who is investing in the market as a whole) and the risk adjustment beta, applied to reflect the risk of the specific cash-generating unit relative to the market as a whole.

In determining the risk-adjusted discount rate, management has applied an adjustment for the systematic risk to ART's operations determined using an average of the betas of comparable listed companies across the world. Management has used market risk premium that takes into consideration studies by independent economists.

Growth rate (average of 6.7% year on year) - The growth rate applied is based on the impact of estimated future occupancy rate of ART. The annual projected growth rate is used in the computation of future earnings before interest and taxes (EBIT).

Occupancy rate (averaging at 82.4% over the forecast period in 2019) - The occupancy rate applied is based on the assumption that ART is operating in its target capacity.

Food and beverage revenue (averaging at 44.6% of total revenue over the forecast period in 2019) - Food and beverage revenue are computed based on the assumption that ART's food and beverage outlets are operating in its target capacity.

Gross profit ratio (averaging at 66.5% over the forecast period in 2019) – Management based the ratio of gross profit over revenue on its historical experience.

Operating expenses ratio (averaging at 24.3% over the forecast period in 2019) – Management based the ratio of operating expenses over revenue on its historical experience.

Salvage value of CGU - The forced sales value of property and equipment in ART as of December 31, 2019 amounting to ₱101.9 million is assumed to be the salvage value of CGU.

Management believes that no reasonably possible change in any of the above assumptions would cause the carrying value of the CGU to exceed its recoverable amount.

Based on management's assessment, the recoverable amount of the CGU is higher than the carrying value, thus no impairment loss was noted on the property and equipment used in the operation of ART with carrying amount of ₱413.7 million as of December 31, 2019.

Go Hotel
In 2019, actual occupancy rate relating to the operations of certain Go Hotel sites is lower than budget. Consequently, the Group estimated the recoverable amount of the CGU relating to its operations. The CGU is composed of working capital and property and equipment used in RAHC's operations. Each hotel property is considered as a separate CGU in assessing recoverable amount.

The recoverable amount has been determined based on fair value less cost of disposal. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset.

The fair value of the land was estimated by using the Market Approach. The Market Approach provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available. Under this approach, the first step is to consider the prices for transactions of identical or similar assets that have occurred recently in the market. If few recent transactions have occurred, it may be also appropriate to consider the prices of identical or similar assets that are listed or offered for sale provided the relevance of this information is clearly established and critically analyzed.

The fair value of the improvements was arrived at by using the Cost Approach. The Cost Approach provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction. This approach is based on the principle that the price that a buyer in the market would pay for the asset being valued would, unless undue time, inconvenience, risk or other factors are involved, be not more than the cost to purchase or construct an equivalent asset. Often the asset being valued will be less attractive than the alternative that could be purchased or constructed because of age or obsolescence. Where this is the case, adjustments may need to be made to the cost of the alternative asset depending on the required basis of value.

The recoverable amount quoted above is considered to be a level 3 valuation under the PFRS 13 hierarchy.

Based on management's assessment, the recoverable amount of the CGU is higher than the carrying value, thus no impairment loss was recognized on the property and equipment used in the Go Hotel operations of the Group with total carrying amount of ₱1,909.6 million as of December 31, 2019.

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 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 December 31, 2019 and 2018 amounted to ₱60.5 million and ₱46.3 million, respectively. Retirement benefits amounted to ₱13.3 million, ₱23.8 million and ₱6.5 million for the years ended December 31, 2019, 2018 and 2017, respectively (see Note 18).

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.

Total deferred tax assets amounted to ₱85.2 million and ₱68.1 million as of December 31, 2019 and 2018 (see Note 26).

Deferred tax assets were not recognized on deductible temporary differences and carryforward benefits of NOLCO and excess MCIT over RCIT with income tax effect amounting to ₱200.5 million and ₱197.1 million as at December 31, 2019 and 2018, respectively (see Note 26). 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.

Determination of provisions and evaluation of contingencies
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 pretax 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.

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the consolidated financial statements but disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable (see Note 28). No provision for probable losses arising from lawsuit and claims was recognized in the consolidated financial statements as of December 31, 2019, 2018 and 2017.

6. Cash and Cash Equivalents

This account consists of:

	2019	2018
Cash on hand	**₱2,316**	₱2,043
Cash in banks	**73,079**	48,509
Cash equivalents	**–**	165,336
	₱75,395	₱215,888

Cash in banks earn and average interest of 0.13% to 2.25% for the years ended December 31, 2019, 2018 and 2017.

Cash equivalents are made at varying periods of up to 90 days, depending on the immediate cash requirements of the Group. Cash equivalents earn an average interest of 0.45% to 1.25% for the years ended December 31, 2019, 2018 and 2017, respectively.

Total interest income earned from cash in banks and cash equivalents amounted to ₱1.3 million, ₱1.8 million, and ₱1.1 million for the years ended December 31, 2019, 2018 and 2017, respectively.

7. Trade and Other Receivables

This account consists of:

	2019	2018
Trade	**₱179,745**	₱80,776
Due from:		
Related parties (Note 20)	**89,129**	77,433
Employees	**7,403**	4,698
Contractors and suppliers	**12,595**	10,371
Others	**10,496**	6,715
	299,368	179,993
Allowance for impairment losses	**(14,610)**	(14,610)
	₱284,758	₱165,383

Trade receivable represents the following:

a. Customers' accounts arising from the sale of real estate properties collectible in monthly installments over a period of 18 to 84 months and bear annual interest ranging from 14% to 18% depending on the terms of the sales contract amounting to ₱35.1 million and ₱4.3 million as of December 31, 2019 and 2018, respectively.

b. Outstanding individual, corporate and travel agency accounts earned from the hotel operation amounting to ₱26.0 million and ₱27.8 million as of December 31, 2019 and 2018, respectively, which generally have a 30-day term.

c. Sales arising from the premium coconut products amounting to ₱4.2 million and ₱3.5 million as of December 31, 2019 and December 31, 2018.

d. Fees earned from hotel management amounting to ₱2.4 million and ₱2.5 million as of December 31, 2019 and 2018.

Total interest income on trade and other receivables amounted to ₱14.0 million, ₱10.3 million and ₱9.3 million for the years ended December 31, 2019, 2018 and 2017, respectively.

Due from officers and employees pertains to noninterest-bearing salary and educational loans that are collected from the employees through salary deduction and advances for business purposes subject to liquidation.

Other receivables, which are normally settled within one year, pertains to nontrade receivables.

Movements of allowance for impairment losses of receivables follow:

	Trade	Due from Related Parties	Others	Total
Balance as at December 31, 2017	₱2,469	₱12,141	₱31,254	₱45,864
Reversals	–	–	(31,254)	(31,254)
Balance as at December 31, 2018	2,469	12,141	–	14,610
Balance as at December 31, 2019	₱2,469	₱12,141	₱–	₱14,610

8. Real Estate Properties for Sale and Development

This account consists of:

	2019	2018
Real estate properties for sale	**₱316,853**	₱343,904
Raw land and land improvements for development	**187,039**	192,205
	₱503,892	₱536,109

The movements in real estate properties for sale follows:

	2019	2018
Balances at beginning of the year	**₱343,904**	₱389,811
Disposals (cost of real estate sales)	**(37,190)**	(70,671)
Construction/development costs incurred	**7,171**	22,839
Borrowing costs capitalized (Note 16)	**2,968**	1,925
Balances at end of the year	**₱316,853**	₱343,904

In 2019, the Group sold its raw land with a cost of ₱17.5 million. Total cost of real estate sales amounted to ₱54.7 million, ₱70.7 million and ₱176.9 million for the years ended December 31, 2019, 2018 and 2017, respectively.

No provision for impairment loss on real estate properties for sale and development was recognized for the years ended December 31, 2019, 2018 and 2017.

Borrowing costs incurred to finance the development of the Group's real estate projects amounting to ₱3.0 million , ₱1.9 million and ₱2.1 million for the years ended December 31, 2019, 2018 and 2017, respectively, were capitalized using a weighted average rate of 6.75%, 6.84% and 3.7% for the years ended December 31, 2019, 2018 and 2017, respectively (see Note 16).

Certain real estate properties for sale and development owned by the Group amounting to ₱196.0 million and ₱168.4 million as at December 31, 2019 and 2018, respectively, were used as collateral for the loans availed by the Parent Company and RLC (see Note 16).

9. Inventories

Inventories account consists of:

	2019	2018
At cost:		
Finished goods	**₱42,295**	₱41,131
Packaging materials	**7,519**	5,783
Supplies	**1,931**	952
Work in process	**–**	75
	51,745	47,941
At NRV - finished goods, net of provision for inventory write-down amounting to ₱6.3 million and ₱1.3 million as of December 31, 2019 and 2018	**18,796**	23,039
	₱70,541	₱70,980

Cost of inventories carried at NRV amounted to ₱25.1 million and ₱24.3 million as of December 31, 2019 and 2018, respectively.

Cost of inventories charged to cost of goods sold amounted to ₱162.2 million in 2019 (₱34.5 million in 2018 and nil in 2017) (see Note 22).

10. Other Current and Noncurrent Assets

Other current assets account consists of:

	2019	2018
Creditable withholding taxes	**₱102,449**	₱88,002
Input VAT	**95,663**	225,763
Prepaid expenses	**29,990**	28,184
Deferred input VAT - current portion	**19,049**	19,049
Refundable deposits	**3,926**	3,430
Others	**8,141**	9,586
	₱259,218	₱374,014

Current input VAT mainly arises from construction of real estate for sale, construction of the hotel and plant buildings and purchases of goods and services for operations.

Prepaid expenses pertain to prepaid rent, insurance and taxes.

Others consist of advance payments for outside services and other expenses which are normally utilized within one year.Other noncurrent assets account consists of:

	2019	2018
Deferred input VAT - noncurrent portion	**₱160,856**	₱80,518
Franchise fee	**7,713**	8,876
Utility deposits	**3,433**	4,698
Advances to:		
Suppliers	**11,357**	38,216
Contractors	**–**	4,241
	₱183,359	₱136,549

Deferred input VAT includes unamortized input VAT from purchases or importation of capital goods, which are depreciable assets for income tax purposes, whose aggregate acquisition in a calendar month exceeds ₱1.0 million and input VAT on unpaid purchase of services.

Franchise fee pertains to RAHC's franchise fee to a third-party hotel chain company for the non-exclusive, non-assignable right to use the proprietary marks and system in connection with the establishment and operation of GoHotels. The agreement is for 10 years beginning the opening day of the hotels. Amortization expense amounted to ₱1.1 million, ₱1.2 million, and ₱0.8 million for the years ended December 31, 2019, 2018 and 2017, respectively.

11. Interests in Other Entities

a. Investment in associates

The carrying amounts of investments in associates are as follow:

	2019	2018
Associates		
RHI and subsidiaries	**₱1,869,303**	₱2,187,673
FLC	**88,883**	88,883
CPFI	**16,110**	16,110
FDC	**14,345**	14,345
RADC	**8,428**	8,428
	₱1,997,069	₱2,315,439

Movements in investments in associates follow:

	2019	2018
Associates		
Acquisition cost:		
Balance at beginning of the year	**₱2,167,054**	₱2,167,054
Accumulated equity in net earnings (loss):		
Balance at beginning of the year	**121,180**	128,688
Equity in net loss	**(388,205)**	(7,508)
Balance at end of the year	**(267,025)**	121,180

(Forward)

	2019	2018
Unrealized loss on transfer of land -		
Balance at beginning	**(₱59,030)**	(₱59,030)
Other comprehensive income:		
Balance at beginning of the year	**101,468**	67,044
Share in appraisal increase in land, net of tax	**89,808**	15,581
Share in remeasurement gain (loss) on		
retirement liability, net of tax	**(19,973)**	18,843
Balance at end of the year	**171,303**	101,468
	2,012,302	2,330,672
Allowance for impairment loss	**(15,233)**	(15,233)
	₱1,997,069	₱2,315,439

The following Philippine-incorporated and domiciled companies are the associates of the Group:

	Percentage of Ownership		
	2019	2018	Description of Business
RHI and subsidiaries**	**23.05**	23.05	Production and selling of sugar and related products
Roxaco-ACM Development Corporation (RADC)*	**50.00**	50.00	Real estate
Fuego Land Corporation (FLC)*	**30.00**	30.00	Real estate
Fuego Development Corporation (FDC)*	**30.00**	30.00	Real estate
Club Punta Fuego, Inc. (CPFI)*	**25.00**	25.00	Social recreational and athletic activities

* *Effective ownership through RLC.*
***Accounting period ends September 30 of every year due to seasonality of its business. For purposes of the Group's consolidation, RHI and subsidiaries report its financial statements from January 1 to December 31.*

Investments in CPFI, RADC and FLC were provided with allowance for impairment loss amounting to ₱7.9 million, ₱3.7 million and ₱3.6 million, respectively, as at December 31, 2019 and 2018.

<u>RHI and subsidiaries</u>
In November 2013, RCI sold 31% of its equity interest in RHI to First Pacific Company, Ltd. (First Pacific), a Hong Kong-based company but still remained the single biggest shareholder with 36% equity interest in RHI until January 2015.

In February, 2015, RCI's equity interest in RHI was diluted from 36% to 31 % as a result of the acquisition of RHI's 241.8 million treasury shares by First Agri Holdings Corporation, a subsidiary of First Pacific.

RCI's equity interest in RHI was further diluted from 31% to 23% as a result of its non-participation in the exercise of Stock Rights Option (SRO) in May 2016 and the conversion of RHI's debt securities into 125 million common shares in July 2017.

Shares of stock of RHI totaling 99.6 million are used as collateral for RLC's outstanding term loan balance of ₱352.7 million as of December 2019 (see Note 14).

Reconciliation of proportionate share in net assets of RHI and subsidiaries and investment carried at equity method:

	2019	2018
Proportionate share on the net assets of the associate	**₱2,116,587**	₱2,435,376
Fair value adjustments	**(247,284)**	(247,703)
Carrying value of investment at equity method	**₱1,869,303**	₱2,187,673

The accumulated equity in net earnings (loss) of associates amounting to ₱267.0 million net loss and ₱121.2 million net earnings as at December 31, 2019 and 2018, respectively, is not available for dividend distribution to shareholders, unless received as cash dividends from the associates.

Summarized financial information of associates are as follows:

	Associates			
	RHI and Subsidiaries*		CPFI, FLC, FDC and RADC**	
	2019	2018	**2019**	2018
Current assets	**₱10,782,239**	₱13,598,925	**₱457,764**	₱457,764
Noncurrent assets	**10,358,403**	11,857,494	**509,462**	595,106
Current liabilities	**8,822,023**	14,452,255	**177,100**	271,726
Noncurrent liabilities	**3,136,029**	438,540	**4,488**	4,488
Net assets	**9,182,590**	10,565,624	**785,638**	776,657
Revenue	**5,985,170**	7,055,902	**202,430**	202,430
Net income (loss)	**(1,687,849)**	(32,574)	**776**	(33,641)
Other comprehensive income (loss)	**302,971**	149,345	**–**	1,554
Total comprehensive income (loss)	**(1,384,878)**	147,223	**776**	(32,097)

** Material associate*
*** Individually immaterial associates*

There are no significant restrictions on the ability of the associates to transfer funds to the Parent Company in the form of cash dividends and repayment of loans, among others.

Subsidiaries

<u>RSAI</u>
On April 2016, the Parent Company subscribed and paid to 2,150,000 shares of RSAI representing 81.13% ownership interest from RSAI's increase in capital stock As a result, the Parent Company gained control over RSAI.

RSAI is an existing entity incorporated on February 16, 2015, which started its commercial operations in December 2017.

The non-controlling interest in RSAI amounted to ₱31.3 million, which was measured based on proportionate value of net assets of RSAI as at the date of acquisition.

In 2017, RCI and the non-controlling interest made additional investments amounting to ₱21.5 million and ₱2.0 million, respectively, maintaining the same equity interest in RSAI.

In December 2018, RCI made an additional ₱200 million capital contribution in RSAI thereby increasing its equity ownership to 88.81%.

RAHC (Subsidiary with Material Non-controlling Interest)
On April 13, 2016 (date of acquisition), RLC made an additional investment of ₱61.0 million that increased the equity interest of the Group in RAHC from 50% to 51%. On the same date, certain provisions of the Shareholder's Agreements were amended, particularly increasing RLC's BOD representation in RAHC from two to three out of the five directors to obtain control over RAHC. Consequently, RAHC became a subsidiary from said date, resulting to a gain from step up acquisition amounting to ₱6.9 million. RAHC's principal place of business is located at 7F Cacho Gonzales Bldg., 101 Aguirre Street, Legazpi Village, Makati City.

The non-controlling interest in RAHC amounted to ₱270.9 million, which was measured based on proportionate fair value of net assets of RAHC as at the date of acquisition.

Subsequently, on May 25, 2016 and September 1, 2016, RLC made additional investments amounting to ₱51.0 million and ₱41.0 million, respectively, maintaining the same equity interest in RAHC.

On December 3, 2013, RLC entered into a Shareholders Agreement with VH Select Investments (Phil) Pte. Ltd (VH Select) to form a joint venture company, Roxaco-Vanguard Hotel Corporation (RVHC) primarily to build and manage a minimum of five budget hotels under the "Go Hotels" brand through a franchise agreement with Robinsons Land. In April 2016, RLC increased its equity interest in RVHC to 51% to obtain control over RVHC and become its subsidiary.

In October 2016, the first Go Hotel at the Manila Airport Road started commercial operations. Thereafter, North EDSA, Cubao, Ermita, and Timog sites opened for operations in February, April, June and October 2017, respectively.

In April 2018, VH Select Investments sold its shares in RVHC to Asia Hospitality Private Capital Ltd. Singapore to become RLC's new JV partner. Consequently, the corporate name was changed from Roxaco-Vanguard Hotels Corporation (RVHC) to Roxaco-Asia Hospitality Corporation (RAHC) and was approved by the SEC in October 2018. In August 2018, RAHC appointed Anya Hospitality Group, the hotel management arm of RLC to manage the five Go Hotels.

Summarized balance sheets as of December 31 of RAHC are as follows:

	2019	2018
Total assets	**₱2,621,944**	₱2,598,945
Total liabilities	**1,985,544**	1,953,606
Equity	**636,400**	645,339
Attributable to non-controlling interests	**311,836**	316,216

Summarized statements of income for the years ended December 31 are as follows:

	2019	2018	2017
Revenue	**₱298,729**	₱222,852	₱145,952
Expenses	**245,122**	204,359	74,711
Income tax expense (benefit)	**2,658**	26,617	(16,482)
Net loss from continuing operations	**(62,093)**	(87,306)	(36,591)
Net loss from discontinued operations	**(39,139)**	(39,164)	–
Net loss attributable to non-controlling interests	**(49,604)**	(61,970)	(17,930)

Summarized statements of comprehensive income are as follows:

	2019	2018	2017
Total comprehensive income (loss)	**(₱8,939)**	(₱107,554)	₱27,551
Attributable to non-controlling interests	**(4,380)**	(52,701)	13,500

In December 2019, RAHC entered into an Agreement to Sell its Cubao Hotel site costing ₱374 million for ₱411 million to reduce debt and improve profitability (Note 25).

12. Property, Plant and Equipment

Details and movements of the property, plant and equipment carried at cost follows:

	December 31, 2019						
	Buildings and Improvements	**Machinery and Equipment**	**Land Improvement**	**Transportation Equipment**	**Office Furniture, Fixtures and Equipment**	**Construction in Progress**	**Total**
Cost							
Balance at beginning of year	**₱2,230,551**	**₱587,438**	**₱205**	**₱19,534**	**₱266,378**	**₱112,656**	**₱3,216,762**
Additions	**9,800**	**–**	**–**	**1,593**	**22,357**	**2,648**	**36,398**
Reclassifications	**–**	**684**	**103,970**	**–**	**139**	**(104,793)**	**–**
Disposals	**(6,209)**	**–**	**–**	**–**	**–**	**–**	**(6,209)**
Assets held for sale (Note 25)	**(274,598)**	**–**	**–**	**–**	**(28,319)**	**–**	**(302,917)**
Balance at end of year	**1,959,544**	**588,122**	**104,175**	**21,127**	**260,555**	**10,511**	**2,944,034**
Accumulated Depreciation and Amortization							
Balance at beginning of year	**104,859**	**14,207**	**205**	**13,415**	**82,513**	**–**	**215,199**
Depreciation and amortization	**44,388**	**13,464**	**3,265**	**2,486**	**52,560**	**–**	**116,163**
Reclassifications	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Disposals	**(6,209)**	**–**	**–**	**–**	**–**	**–**	**(6,209)**
Assets held for sale (Note 25)	**(13,623)**	**–**	**–**	**–**	**(14,903)**	**–**	**(28,526)**
Balance at end of year	**129,415**	**27,671**	**3,470**	**15,901**	**120,170**	**–**	**296,627**
Net Book Value	**₱1,830,129**	**₱560,451**	**₱100,705**	**₱5,226**	**₱140,385**	**₱10,511**	**₱2,647,407**

	December 31, 2018						
	Buildings and Improvements	Machinery and Equipment	Land Improvement	Transportation Equipment	Office Furniture, Fixtures and Equipment	Construction in Progress	Total
Cost							
Balance at beginning of year	₱2,273,830	₱642,136	₱205	₱17,564	₱97,905	₱118,404	₱3,150,044
Additions	13,877	8,950	–	2,050	21,479	20,496	66,852
Reclassifications	(57,066)	(63,604)	–	(80)	146,994	(26,244)	–
Disposals	(90)	(44)	–	–	–	–	(134)
Balance at end of year	2,230,551	587,438	205	19,534	266,378	112,656	3,216,762
Accumulated Depreciation and Amortization							
Balance at beginning of year	40,421	8,311	205	12,180	25,425	–	86,542
Depreciation and amortization	59,348	14,207	–	11,235	43,733	–	128,523
Reclassifications	5,000	(8,355)	–	(10,000)	13,355	–	–
Disposals	90	44	–	–	–	–	134
Balance at end of year	104,859	14,207	205	13,415	82,513	–	215,199
Net Book Value	₱2,125,692	₱573,231	–	₱6,119	₱183,865	₱112,656	₱3,001,563

During 2019, construction in progress reclassifications pertain to RGEC's solar power project and RSAI's ongoing construction of the machinery and equipment in the processing plant and in Tupi, South Cotabato.

Fully depreciated property, plant and equipment with an aggregate cost of ₱26.9 million as at December 31, 2019 and 2018 are still being used in the operations.

Land at appraised values and had it been carried at cost are as follows:

	2019	2018
At appraised values:		
Balance at beginning of year	**₱773,495**	₱733,592
Appraisal increase	**142,187**	39,903
Assets held for sale (Note 25)	**(99,288)**	–
Balance at end of year	**₱816,394**	₱773,495
At cost	**₱459,574**	₱558,862

Certain assets were mortgaged and used as collateral to secure the loan obligations of the RSAI and RAHC with the local banks as at December 31, 2019 and 2018 (see Note 16).

13. Right-of-use Assets and Lease Liabilities

The Group as a lessee

The Group has lease contracts for sales office, herb garden and hotel suites used in its operations. Leases of sales office generally have lease terms between 1 and 3 years, while herb garden and hotel suites generally have lease terms of 5 and 25 years, respectively. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets and some contracts require the Group to maintain certain financial ratios. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

The Group also has certain leases of office space for hospitality group with lease terms of 12 months or less and leases of dishwashing machine and house for an expatriate with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

The rollforward analysis of this account follows:

	2019			
	Hotel Suites	**Sales Office**	**Herb Garden**	**Total**
Cost				
Effect of adoption of new standard at January 1, as restated	₱156,432	₱–	₱384	₱156,816
Additions	5,023	337	–	5,360
At December 31	161,455	337	384	162,176
Accumulated Depreciation and Amortization				
Effect of adoption of new standard at January 1, as restated	–	–	–	–
Depreciation and amortization	(44,737)	(112)	(84)	44,933
At December 31	44,737	112	84	44,933
Net Book Value	**₱116,718**	**₱225**	**₱300**	**₱117,243**

The following are the amounts recognized in consolidated statement of income:

	2019
Depreciation expense of right-of-use assets included in property and equipment and investment properties	₱44,933
Interest expense on lease liabilities	9,727
Expenses relating to short-term leases (included in operating expenses) (Note 22)	1,973
Expenses relating to leases of low-value assets (included in operating expenses) (Note 22)	316
	₱56,949

The rollforward analysis of lease liabilities follows:

	2019
As at January 1, 2019, as previously reported	₱–
Effect of adoption of PFRS 16 (Note 13)	156,816
At January 1, 2019, as restated	156,816
Additions	5,360
Interest expense	9,727
Payments	(45,185)
As at December 31, 2019	₱126,718

The breakdown of lease liabilities as at December 31, 2019 follows:

	2019
Lease liabilities	₱126,718
Less noncurrent portion of lease liabilities	(86,582)
Current portion of lease liabilities	₱40,136

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgment in determining whether these extension and termination options are reasonably certain to be exercised. Payments of yield guarantees under the leaseback program agreement of the Group with various buyers of Anya Resort Suites qualify as leases under PFRS 16 and are considered as leases of hotel suites.

Shown below is the maturity analysis of the undiscounted lease payments:

	2019 (*in thousands*)
1 year	₱47,743
more than 1 years to 2 years	50,438
more than 2 years to 3 years	39,541
more than 3 years to 4 years	1,341
more than 5 years	1,663

14. **Investment Properties**

This account consists of land properties of the Parent Company located in Nasugbu, Batangas, which are held either to earn rentals and/or for capital appreciation amounting to ₱6,010.8 million and ₱5,280.0 million as of December 31, 2019 and 2018, respectively.

The Parent Company's investment properties include land properties that are subjected to the CARL with total land area of 2,300.6 hectares (see Note 28). Unrealized fair value gain recognized on these investment properties amounted to ₱763.4 million and ₱709.2 for the years ended December 31, 2019 and 2018, respectively.

To reduce debt and improve profitability, the Parent Company sold its investment properties costing ₱24.2 million for ₱192.6 million resulting to a gain of ₱168.4 million in 2019 (see Note 24).

As at December 31, 2019 and 2018, the fair value of investment properties, including land properties subjected to the CARL, are based on the appraised values of the properties as at December 2, 2019 as determined by a professional qualified independent and SEC-accredited appraiser. The fair value measurement for investment properties has been categorized under Level 3, which was determined by using the Sales Comparison Approach that disregards all existing liens and encumbrances and appraises the properties as though free and with clean titles. 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 and adjustments to sales price which pertain to factors affecting value such size, location, time and shape (see Note 30).

The Philippine 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., the parent company of CADPGC, which was absorbed and liquidated (see Note 19). The Philippine SEC approved the foregoing accounting treatment on the basis of the facts and circumstances provided by the Parent Company.

15. **Short-term Borrowings**

This account represents unsecured short-term loans obtained from various local banks for the Group's working capital requirements amounting to ₱1.3 billion as of December 31, 2019 and 2018; payable within 30 to 180 days. These loans bear an annual interest ranging from 4.50% to 9.75% for the years ended December 31, 2019, 2018 and 2017.

Interest expense arising from short-term borrowings amounted to ₱99.3 million, ₱61.1 million and ₱99.9 million for the years ended December 31, 2019, 2018 and 2017, respectively (see Note 16). Capitalized borrowing cost from short-term borrowings amounted to nil, ₱1.9 million and ₱2.1 million for the years ended December 31, 2019, 2018 and 2017, respectively.

16. **Long-term Borrowings**

Long-term borrowings consist of loans from:

	2019	2018
Bank of the Philippine Islands (BPI)	**₱1,001,997**	₱1,504,810
United Coconut Planters Bank (UCPB)	**501,267**	501,473
China Bank Corporation (China Bank)	**200,000**	–
Asia United Bank (AUB)	**3,132**	5,619
(Forward)		

	2019	2018
Banco de Oro Unibank, Inc. (BDO)	**₱–**	₱385,000
Robinsons Bank Corporation (RBC) - net of debt transaction costs amounting to ₱7.2 million and nil as of December 31, 2019 and 2018, respectively	**762,448**	330,000
	2,468,844	2,726,902
Current portion - net of debt transaction costs amounting to ₱1.1 million and nil as of December 31, 2019 and 2018, respectively	**(429,597)**	(920,482)
Noncurrent portion	**₱2,039,247**	₱1,806,420

	2019	2018
RAHC	**₱1,410,449**	₱1,773,095
RLC	**552,666**	446,715
RSAI	**504,398**	507,092
RCI	**1,331**	–
	₱2,468,844	₱2,726,902

Movement in debt transaction costs follow:

	2019	2018
Balance at the beginning	**₱–**	₱–
Transaction costs recognized during the year	**7,504**	–
Less amortization	**265**	–
Balance at the end	**₱7,239**	₱–

<u>Loans of RAHC</u>
The bank loans are classified as follows:

	2019	2018
Current portion	**₱207,103**	₱751,122
Noncurrent portion	**1,203,346**	1,021,973
	₱1,410,449	₱1,773,095

In September 2016, RAHC converted its short-term loan facility from BPI amounting to ₱628.0 million into term loan facility for GoHotel North EDSA and Cubao. The loan bears variable interest rate for the first two years and fixed interest rate for the succeeding five years until maturity. Principal amount is payable quarterly after the two-year grace period for seven years until 2023.

In May 2017, RAHC converted another short-term loan facility from BPI amounting to ₱460.0 million into term loan facility for the development of GoHotel Timog. The loan bears variable interest rate for the first two years and fixed interest rate for the succeeding five years until maturity. Principal amount is payable quarterly after the two-year grace period for seven years until 2024.

In September 2017, RAHC entered into a ten-year term loan facility with Robinsons Bank Corporation amounting to ₱330.0 million to take out existing loan with BDO which funded the development of GoHotel Manila Airport Road and for general working capital purposes. The loan bears minimum interest rate of 3.75% for the first two years and indicative interest of 6% for the succeeding years until maturity. Principal amount is payable quarterly after the two-year grace period for eight years until 2027.

On September 25, 2019, the outstanding balance due to BDO was fully paid amounting to ₱385.0 million.

In September 2019, RAHC obtained a ten-year term loan from RBC amounting to ₱450.0 million to take out the BDO loan which funded the development of GoHotel Ermita and for general working capital purposes. Principal amount is payable quarterly after the two-year grace period for eight years until 2029.

As of December 31, 2019, ₱200.0 million outstanding loan of GoHotel Cubao has been transferred to the net balance of the liabilities held for sale (Note 25).

The loan facilities are secured by RAHC's properties amounting to ₱2,369.0 million and ₱2,222.5 million as at December 31, 2019 and 2018, respectively.

Loan of RSAI

The bank loans are classified as follows:

	2019	2018
Current portion	**₱114,176**	₱74,122
Noncurrent portion	**390,222**	432,970
	₱504,398	₱507,092

The loan facility is secured by RSAI's coconut processing plant amounting to ₱913.4 million as at December 31, 2019 and 2018 respectively (see Note 12).

Loan of RLC

The bank loan is classified as follows:

	2019	2018
Current portion	**₱108,050**	₱95,238
Noncurrent portion	**444,616**	351,477
	₱552,666	₱446,715

On June 30, 2016, RLC obtained a new loan from BPI, with RCI as the co-mortgagor, amounting to ₱500.0 million. The loan bears variable interest rate and is repriced every quarter. Principal amount is payable quarterly for five years until 2023 with the first payment payable after two years from the release of the loan.

As at December 31, 2019 and 2018, the loan from BPI is secured by RLC's real estate properties for sale and development amounting to ₱196.0 million and ₱168.4 million, respectively, (see Note 8) and certain properties of the Parent Company.

In September 2019, RLC converted its short-term loan facility with China Bank amounting to ₱200.0 million into a 5-year term loan including a 1 ½ year grace period. The loan bears variable interest rate and repriced quarterly. Principal amount is payable quarterly until 2024.

As at December 31, 2019 and 2018, the RLC loan is secured by real estate mortgages and pledge over RHI shares of stock owned by the Parent Company as follows:

	2019	2018
Shares of stock of RHI (99.6 million shares)	**₱322,265**	₱322,265
Real estate properties for sale and development of RLC (Note 8)	**196,000**	168,400
Investment properties (Note 14)	**6,838**	6,838
Property, plant and equipment (Note 12)	**797**	797
RCI treasury shares (40.0 million shares)	**80,000**	–
	₱605,900	₱498,300

Interest Expense
Total interest expense incurred amounted to ₱285.0 million, ₱223.7 million and ₱134.2 million for the years ended December 31, 2019, 2018 and 2017, respectively (see Notes 15 and 16). Details of interest expense, net of capitalized borrowing costs follow:

	2019	2018	2017
Long-term borrowings	**₱182,703**	₱160,631	₱6,776
Short-term borrowings	**99,305**	61,138	92,387
	₱282,008	₱221,769	₱99,163

Details of capitalized borrowing costs related to real estate projects of RLC and its subsidiaries are as follows:

	2019	2018	2017
Long-term borrowings	**₱2,968**	₱–	₱24,752
Short-term borrowings	–	1,925	2,794
	₱2,968	₱1,925	₱27,546

Borrowing costs incurred to finance the development of the Group's real estate projects amounting to ₱3.0 million , ₱1.9 million and ₱2.1 million for the years ended December 31, 2019, 2018 and 2017, respectively, were capitalized using a weighted average rate of 6.75%, 6.84% and 3.75% for the years ended December 31, 2019, 2018 and 2017, respectively (see Note 8).

Capitalized borrowing costs in relation to the construction of GoHotels and coconut processing plant amounted to ₱27.5 million for the year ended December 31, 2017 (nil in 2019 and 2018) which was capitalized using weighted average rate of 3.74% to 3.75% in 2017.

Loan Covenants
<u>RLC</u>
The long-term borrowings of the Parent Company and RLC are subject to certain covenants, such as but not limited to:

- maintenance of debt service coverage ratio (DSCR) of at least 1.0:1.0 and 1.10:1.0, respectively, and debt to equity (D/E) 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 of December 31, 2018, RLC has not met the DSCR ratio requirements. On March 16, 2018, RLC obtained a letter from BPI approving the suspension of the ratio requirements effective from January 1, 2018 until December 31, 2018.

As of December 31, 2019, RLC has not met the DSCR and D/E ratio requirement. On December 12, 2018, RLC obtained a letter from BPI approving the suspension of the ratio requirements effective from January 1, 2019 until December 31, 2019. Accordingly, the term loan due 12 months from December 31, 2019 and 2018 were classified to noncurrent liability.

RAHC
The significant covenants attached to the borrowings of RAHC include the following restrictions:

BPI

- maintenance of debt service coverage ratio (DSCR) of at least 1.0:1.0, and debt to equity (D/E) ratio of not more than 3.00:1.00;
- Materially change the character of its business from that being carried on at a date of agreement;
- Materially change ownership or control of its business or its capital stock or its composition of top-level management;
- Secure indebtedness by or to benefit of any lien, unless the benefit of such lien is at the same time extended equally and ratably to secure the payment of principal, interest, and other sums payable;
- Declare or pay dividends to its stockholders or partners upon the occurrence of an event of default;
- Sell, lease, transfer, or otherwise dispose of all or substantially all of its properties and assets, divest any of its existing investments therein or consolidate or merge with any other person or acquire all or substantially all of the properties or assets of any other persons;
- Extend loans, advances or subsidies to any corporation or entity owned or in which it may have equity other than advances in the ordinary course of business;
- Extend loans or advances to any of its directors, officers, or stockholders except duly approved employee benefit loans;
- Incur any long-term loan or increase its borrowings or re-avail of existing facilities with other bank or financial institutions, except for working capital requirement;
- Act as guarantor or surety for any obligation of any person unless in ordinary course of business; and
- Undertake nor incur any capital expenditure or purchase of capital equipment or other fixed assets outside ordinary course of business.

As of December 31, 2018, RAHC has not met the DSCR requirement on its term loan and accordingly, reclassified ₱598.1 million loan from BPI as a current liability as of that date. On January 21, 2019, RAHC obtained from BPI approving the suspension of the DSCR and D/E ratio requirements effective from January 1, 2019 until December 31, 2019. Accordingly, the term loan due 12 months from December 31, 2019 were classified to noncurrent liability.

RBC

- Comply with the following financial ratios from drawdown date:

Year	D/E Ratio	Year	D/E Ratio
2019	3.5x	2024	2.0x
2020	3.0x	2025	1.75x
2021	2.5x	2026	1.75x
2022	2.5x	2027	1.50x
2023	2.5x	2028	1.50x

- Materially change in the character of its business from that being carried on at the date of the loan agreement;
- Materially change in ownership or control of its business or its capital stock or in the composition of its top-level management;
- Secure indebtedness by or to benefit of any lien, unless the benefit of such lien is at the same time extended equally and ratably to secure the payment of principal, interest, and other sums payable;
- Sell, lease, transfer, or otherwise dispose of all or substantially all of its properties and assets, divest any of its existing investments therein or consolidate or merge with any other person or acquire all or substantially all of the properties or assets of any other persons;
- Extend loans, advances or subsidies to any corporation or entity owned or in which it may have equity other than advances in the ordinary course of business;
- Extend loans or advances to any of its directors, officers, or stockholders except duly approved employee benefit loans;
- Act as guarantor or surety for any obligation of any person unless in ordinary course of business;
- Invest in bonds and similar securities in any company or enterprise; and
- Undertake nor incur any capital expenditure or purchase of capital equipment or other fixed assets outside ordinary course of business.

As of December 31, 2019, RAHC has met the D/E ratio requirement on its term loan.

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

	2019	2018
Less than one year	**₱430,649**	₱920,482
Between one and two years	**756,149**	205,869
Between two and five years	**1,006,160**	900,582
Over five years	**275,886**	699,969
	₱2,468,844	₱2,726,902

Change in Liabilities Arising from Financing Activities

	Short-term borrowings (Note 15)		Long-term borrowings (Note 16)	
	2019	2018	**2019**	2018
Balance at the beginning of the year	**₱1,311,000**	₱1,347,000	**₱2,726,901**	₱2,867,355
Availments	**229,634**	148,000	**388,691**	9,152
Payments and reclassification from short-term to long-term	**(275,000)**	(184,000)	**(439,509)**	(149,605)
Transferred to assets held for sale	**–**	–	**(200,000)**	–
	1,265,634	1,311,000	**₱2,476,083**	₱2,726,902
Debt transaction costs	**–**	–	**(7,239)**	–
Balance at the end of the year	**₱1,265,634**	₱1,311,000	**₱2,468,844**	₱2,726,902

There are no non-cash changes in short-term borrowings, long-term borrowings and accrued interests.

17. **Trade and Other Payables**

This account consists of:

	2019	2018
Trade	**₱197,241**	₱150,299
Accrued expenses	**81,810**	117,885
Due to related parties (Note 20)	**95,255**	150,084
Retention payable	**94,242**	110,902
Outside services	**14,714**	2,090
Payroll and other employee benefits	**13,781**	15,938
Interest	**6,389**	17,743
Statutory payables	**6,740**	9,377
Dividends (Note 19)	**1,202**	1,202
Payables to contractors	**51,741**	57,283
Others	**42,717**	31,876
	₱605,832	₱664,679

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

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

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 Group.

Payables to contractors pertain to liabilities for the services rendered for the construction of the coconut plant facility.

Statutory payables and other payables are noninterest-bearing and are normally settled throughout the year.

Others pertain to titling payable, rental of office, utilities, sales commission and SL and VL conversion payable which are noninterest-bearing and are normally settled within one year.

18. **Retirement Benefits**

The Group has an unfunded, noncontributory defined benefit retirement plan based on the minimum amount required by law, covering its permanent employees. Retirement benefits costs and contributions are determined in accordance with an actuarial study and are based on years of service and the employee’s final covered compensation.

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employees’ retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

Retirement Benefits

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

	2019	2018	2017
Current service cost	**₱9,777**	₱21,868	₱5,713
Net interest cost	**3,531**	1,896	808
	₱13,308	₱23,764	₱6,521

The cumulative remeasurement gain on retirement liability (shown as part of other equity reserve) recognized as other comprehensive income amounted to ₱16.27 million and ₱18.19 million, net of tax, as of both December 31, 2019 and 2018.

Retirement Liability

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

	2019	2018
Present value of obligation	**₱67,148**	₱56,535
Fair value of plan assets	**(6,609)**	(10,278)
	₱60,539	₱46,257

Movements in the defined benefit obligation for the years ended December 31, 2019 and 2018 follow:

	2019	2018
Balance at beginning of the year	**₱56,535**	₱42,777
Current service cost	**9,777**	21,868
Interest cost	**4,217**	2,352
Benefits paid	**(1,810)**	(500)
Benefits from plan assets	**(5,023)**	–
Actuarial (gain) loss on DBO due from:		
Experience adjustments	**(5,351)**	(1,488)
Changes in financial assumptions	**8,803**	(5,870)
Changes in demographic assumptions	**–**	(2,604)
Balance at end of the year	**₱67,148**	₱56,535

Movements in the fair value of plan assets for the years ended December 31, 2019 and 2018 follow:

	2019	2018
Balance at beginning of the year	**₱10,278**	₱10,480
Interest income	**686**	456
Benefits from plan assets	**(5,023)**	–
Return on plan assets, excluding amounts included in interest income	**668**	(658)
Balance at end of the year	**₱6,609**	₱10,278

Plan assets of the Group as at December 31, 2019 and 2018 consist of:

	2019	2018
Cash in banks and cash equivalents	**20%**	15%
Government securities and other assets	**80%**	85%
	100%	100%

The Group is expected to contribute a total of ₱4.1 million to its respective plans in 2020.

The latest available actuarial valuation of the plan for RLC and the Parent Company is as of February 27, 2020 and December 27, 2018, respectively, which was used for the estimation of the retirement benefits of the respective companies as at December 31, 2019 and as at December 31, 2019 and 2018.

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

	2019	2018	2017
Discount rate	**4.90% to 7.80%**	7.40% to 7.50%	4.34% to 4.42%
Future salary increases	**7.00%**	7.00%	5.00%

The sensitivity analysis based on reasonably possible changes of the assumptions as at December 31, 2019 are as follows:

		2019	2018
Discount Rate	+100 bps	**(₱4,701)**	(₱4,231)
	-100 bps	**5,551**	4,864
Salary Rate	+100 bps	**5,404**	4,837
	-100 bps	**(4,674)**	(4,284)
Turnover Rate	0%	**12,643**	6,748
	125%	**(2,019)**	(1,115)
	75%	**2,392**	1,301

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. There were no changes from the previous period in the methods and assumptions used in preparing the sensitivity analyses.

The Group does not currently employ any asset-liability matching.

The maturity analysis of the undiscounted payments as of December 31, 2019 and 2018 are as follows:

	2019	2018
One year and less	**₱5,298**	₱4,491
More than one year to five years	**63,707**	29,468
More than five years to 10 years	**14,782**	58,353
More than 10 years to 15 years	**38,583**	68,157
More than 15 years to 20 years	**105,503**	54,759
More than 20 years	**452,514**	394,072

Weighted average duration of the defined benefit liability is 15.5 years and 14.5 years as of December 31, 2019 and 2018, respectively.

19. **Equity**

a. Capital Stock

	December 31, 2019		December 31, 2018	
	Number of Shares	**Amount**	Number of Shares	Amount
"Class A" common stock - ₱1 par value				
Authorized	**3,375,000,000**	**₱3,375,000**	3,375,000,000	₱3,375,000
Balance at beginning and end of year	**2,911,885,870**	**₱2,911,886**	2,911,885,870	₱2,911,886
Treasury stock:				
Balance at beginning of the year	**(907,798,463)**	**(1,543,257)**	(933,703,514)	(1,587,296)
Issuances	**46,724,908**	**79,432**	25,905,051	44,039
Balance at end of the year	**861,073,555**	**(1,463,825)**	(907,798,463)	(1,543,257)
Issued and outstanding	**2,050,812,315**	**₱1,448,061**	2,004,087,407	₱1,368,629
Preferred stock - ₱1 par value Authorized, 1,000,000,000				
Issued and outstanding	**500,000,000**	**₱500,000**	500,000,000	₱500,000

In 2017, the Parent Company issued 4,314,969 treasury shares based on the average market rate of ₱2.25 per share aggregating ₱9.8 million, resulting to an increase in additional paid-in capital amounting to ₱2.5 million, net of transaction costs of ₱120,719.

In 2018, the Parent Company issued 25,905,051 treasury shares based on the average market rate of ₱2.67 per share aggregating ₱74.6 million, resulting to an increase in additional paid-in capital amounting to ₱30.6 million, net of transaction costs of ₱0.97 million.

In 2019, the Parent Company issued 46,724,908 treasury shares based on the average market rate of ₱2.01 per share aggregating ₱92.5 million, resulting to an increase in additional paid-in capital amounting to ₱13.0 million, net of transaction costs of ₱3.8 million.

On November 13, 2018, the Parent Company issued 500.0 million preferred shares (500,000,000 preferred shares offered at par value of 1 per share) with a fixed dividend rate of 8.5%, with a corresponding reduction to additional paid-in capital stock pertaining to transaction costs of ₱5.0 million. The preferred shares are cumulative, non-participating, non-voting, and redeemable at the option of the Parent Company, as determined by the BOD. Dividend in arrears on preferred shares amounted to ₱1.2 million and ₱2.92 million as at December 31, 2019 and 2018, respectively.

b. Track Record of Registration

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

** Par value was subsequently reduced to ₱1.00*

c. Other equity reserves

Details of other equity reserves follow:

	2019	2018	2017
Revaluation Increment on Land			
Balance at beginning and end of year	**₱280,091**	₱280,091	₱280,091
Share in Revaluation Increment on Land of an Associate			
Balance at beginning of year	**87,941**	72,360	45,497
Share in revaluation increment on land, net of tax	**89,808**	15,581	26,863
Balance at end of year	**177,749**	87,941	72,360
Cumulative Share in Fair Value Reserve of an Associate			
Balance at beginning and end of year	**5,129**	5,129	5,129
Revaluation Increment on Land of a Subsidiary			
Balance at beginning of year	**86,550**	70,439	12,280
Share in appraisal increase, net of tax	**51,747**	16,111	58,159
Balance at end of year	**138,297**	86,550	70,439
Cumulative Remeasurement Gain (Loss) on Retirement Liability			
Balance at beginning of year	**9,795**	3,281	3,281
Remeasurement gain, net of tax	**(1,936)**	6,514	–
Balance at end of year	**7,859**	9,795	3,281
Cumulative Share in Remeasurement Gain (Loss) on Retirement Liability of Associates			
Balance at beginning of year	**8,398**	(10,445)	(15,726)
Share in remeasurement loss, net of tax	**(19,973)**	18,843	5,281
Balance at end of year	**(11,575)**	8,398	(10,445)
	₱597,550	₱477,904	₱420,855

d. Retained Earnings

Details of retained earnings follow:

	2019	2018	2017
Appropriated/Restricted			
Balance at beginning of year	**₱2,029,877**	₱2,073,916	₱2,081,251
Reversal for treasury stock and others	**(79,432)**	(44,039)	(7,335)
Balance at end of year	**1,950,445**	2,029,877	2,073,916
Unappropriated			
Balance at beginning of year	**1,785,887**	1,504,195	1,644,013
Effect of adoption of new accounting standards	**–**	(3,040)	–
Balance at beginning of year	**1,785,887**	1,501,155	1,644,013
Net income (loss) attributable to the Parent Company	**243,413**	240,693	(147,153)
Cash dividends	**(42,051)**	–	–
Reversal of restriction for treasury stock	**79,432**	44,039	7,335
Balance at end of period	**2,066,681**	1,785,887	1,504,195
	₱4,017,126	₱3,815,764	₱3,578,111

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

	2019	2018	2017
Restricted for treasury stock	**₱1,463,825**	₱1,543,257	₱1,587,296
Gain on change in fair value of investment properties, net of debit balance of Other Equity Reserves closed to retained earnings	**296,967**	296,967	296,967
Fair value gains on investment properties included in the retained earnings	**1,756,154**	992,744	283,545
Undistributed earnings of subsidiaries and equity in net earnings of the associates	**330,914**	330,914	101,421
	₱3,847,860	₱3,163,882	₱2,269,229

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 reserves" account (see Note 14).

On November 13, 2014, the Parent Company appropriated a portion of its retained earnings amounting to ₱1,683.6 million for the cost of treasury shares acquired.

For the year ended December 31, 2017, the Parent Company issued 4.3 million treasury shares and reversed the related appropriation amounting to ₱7.3 million.

Dividend Declaration

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

	Dividend		Stockholders of	
Date Approved	Per Share	Total Amount	Record Date	Payment Date
December 18, 2015	₱0.01	₱19,734	January 15, 2016	February 5, 2016
December 12, 2014	0.02	38,430	January 15, 2015	January 30, 2015
December 13, 2013	0.02	38,430	January 6, 2014	January 30, 2014

Dividends payable amounted to ₱1.2 million as at December 31, 2019 and 2018, respectively (see Note 16).

The declaration of dividends for preferred shares amounting to ₱20.33 million was approved by the Board of Directors on May 10, 2019 to shareholders of record as of May 28, 2019. Payment was made on May 31, 2019.

The BOD likewise approved and authorized the declaration of dividends to the preferred shareholders for the rest of the year as follows:

Description	2nd Tranche	3rd Tranche
Record date	August 8, 2019	November 6, 2019
Payment date	August 13, 2019	November 13, 2019
Dividend rate	₱0.02 per preferred share	₱0.02 per preferred share

The Parent Company has paid cash dividends on preferred shares amounting to ₱42.1 million representing dividends for the one year ended December 31, 2019.

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 periods are as follows:

Quarter	High	Low
January through December 2019		
First	₱2.21	₱1.70
Second	1.78	1.36
Third	1.97	1.30
Fourth	2.22	1.74
January through December 2018		
First	₱4.95	₱2.01
Second	2.85	1.82
Third	2.95	2.02
Fourth	2.65	1.76
January through December 2017		
First	₱2.37	₱2.00
Second	2.40	1.85
Third	2.34	1.92
Fourth	3.30	1.92

20. **Related Party Transactions and Balances**

Related party transactions consist of transfers of resources, services or obligations between the Group 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 Group; (b) associates: and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group 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.

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

Related Party	Nature of Transaction	Period	Transactions during the Period*	Trade and Other Receivables (see Note 7)	Amount Due to Related Parties (see Note 17)
Associates					
FDC	Interest-bearing advances	**December 31, 2019**	**(₱76)**	**₱40,287**	**₱13,211**
		December 31, 2018	₱–	₱40,362	₱13,210
FLC	Dividends receivable	**December 31, 2019**	**–**	**3,852**	**–**
		December 31, 2018	–	3,852	–
RADC	Noninterest-bearing advances	**December 31, 2019**	**–**	**–**	**10,966**
		December 31, 2018	–	–	10,966
CACI	Interest-bearing advances	**December 31, 2019**	**–**	**–**	**–**
		December 31, 2018	3,600	–	–
Joint Ventures					
VJPI	Noninterest-bearing advances	**December 31, 2019**	**(1,027)**	**93**	**218**
		December 31, 2018	–	1,021	119
Marilo Realty Development Corporation	Noninterest-bearing advances	**December 31, 2019**	**57**	**949**	**892**
		December 31, 2018	520	784	337
LPC	Defrayment of cost and expenses for restructuring	**December 31, 2019**	**(12,820)**	**3,306**	**23,427**
		December 31, 2018	354	3,112	10,413
Entities under common Control	Interest-bearing advances	**December 31, 2019**	**80,838**	**40,642**	**46,541**
		December 31, 2018	34	28,302	115,039
		December 31, 2019		**₱89,129**	**₱95,255**
		December 31, 2018		₱77,433	₱150,084

**Amounts represent transactions for the years ended December 31, 2019 and 2018.*

a. In the normal course of business, the Parent Company extends/avails of advances to/from its related parties under common control, with definite repayment terms. The advances to and from related parties are interest-bearing.

b. 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.

Outstanding balances at year end are unsecured and settlement normally occurs in cash, unless otherwise indicated above. No guarantees have been provided or received for these balances. Advances to and from related parties are noninterest-bearing and have no fixed repayment terms unless otherwise indicated above. Impairment review is undertaken each reporting date. As at December 31, 2019 and 2018, allowance for impairment loss amounting to ₱3.1 million pertains to due from LPC.

Revenue and income by	Expense by	Nature	**December 31, 2019**	December 31, 2018	December 31, 2017
RCI	RLC	Management fee	**₱20,410**	₱18,000	₱7,200
RCI	RSAI	Management fee	**6,000**	6,000	–

c. Compensation of key management personnel is as follows:

	December 31, 2019	December 31, 2018	December 31, 2017
Salaries and short-term benefits	**₱39,044**	₱42,828	₱43,293
Retirement benefits	**10,637**	17,614	4,971
	₱49,681	₱60,442	₱48,264

Directors' Remuneration
The Parent Company settled director's remuneration through issuance of treasury shares for the regular board meetings held as follows:

Date of Meeting	No. of shares	Market Value per Share	Share-Based	Cash Compensation	Total Compensation
April 6, 2017	75,000	2.02	151,500	150,000	301,500
May 12, 2017	62,190	2.01	125,002	125,000	250,002
June 19, 2017	86,632	2.02	174,997	175,000	349,997
November 10, 2017	91,147	1.92	175,002	175,000	350,002
April 6, 2018	68,496	2.19	150,006	150,000	300,006
May 11, 2018	73,170	2.05	149,999	150,000	299,999
August 10, 2018	66,794	2.62	175,000	175,000	350,000
December 10, 2018	93,583	1.87	175,000	175,000	350,000
April 5, 2019	102,941	1.70	175,000	175,000	350,000
May 10, 2019	88,757	1.69	149,999	150,000	299,999
August 5, 2019	95,544	1.57	150,004	150,000	300,004
November 12, 2019	73,347	2.04	149,628	150,000	299,628

The expense recognized on the foregoing amounted to ₱1.2 million, ₱1.3 million and ₱1.3 million for the years ended December 31, 2019, 2018 and 2017, respectively, and presented as part of "Salaries and employee benefits" account in the consolidated statements of comprehensive income.

21. Revenue from Contracts with Customers

a. Disaggregated revenue information

The Group presented below the disaggregation of revenue from contracts with customers which are based on type of contracts and timing of revenue recognition. This presentation best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

	2019	2018
Hotel sales and services	**₱460,103**	₱362,646
Real estate	**236,816**	106,787
Sale of goods	**136,885**	54,882
	₱833,804	₱524,315

Except for the revenues earned for the sale of real estate, all revenues were earned at the point in time.

i. Hotel sales and services

	2019	2018
Room revenue	**₱373,527**	₱279,522
Food and beverage	**55,713**	50,979
Management Fee	**25,394**	24,045
Spa	**1,081**	1,283
Others	**4,388**	6,817
	₱460,103	₱362,646

Management fee are services rendered by parent company and RLC for administration and property management of entities other than its subsidiaries for the years ended December 31, 2019 and 2018.

ii. Real Estate

	December 31, 2019							
Segments	Anya	Palico Montana	Landing Townhomes	Landing Shophouses	Orchards	SAMG	Raw Land	Total
Sale of real estate	**₱15,290**	**₱26,234**	**₱7,503**	**₱218**	**₱3,266**	**₱5,144**	**₱179,162**	**₱236,816**
Geographical markets								
Tagaytay, Cavite	15,290	–	–	–	–	–	–	15,290
Nasugbu, Batangas	–	26,234	7,503	218	3,266	5,144	179,162	221,526
	₱15,290	**₱26,234**	**₱7,503**	**₱218**	**₱3,266**	**₱5,144**	**₱179,162**	**₱236,816**
Timing of revenue recognition								
Goods transferred over time	**₱15,290**	**₱26,234**	**₱7,503**	**₱218**	**₱3,266**	**₱5,144**	**₱–**	**₱57,654**
Goods transferred at a point in time	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱179,162**	**₱179,162**

	December 31, 2018						
Segments	Anya	Palico Montana	Landing Townhomes	Landing Shophouses	Orchards	SAMG	Total
Sale of real estate	₱14,511	₱72,617	₱12,744	₱3,099	₱–	₱3,816	₱106,787
Geographical markets							
Tagaytay, Cavite	14,511	–	–	–	–	–	14,511
Nasugbu, Batangas	–	72,617	12,744	3,099	–	3,816	92,276
	₱14,511	₱72,617	₱12,744	₱3,099	₱–	₱3,816	₱106,787
Timing of revenue recognition							
Goods transferred over time	₱14,511	₱72,617	₱12,744	₱3,099	₱–	₱3,816	₱106,787

iii. Sale of goods

Sale of goods by product type

	2019	2018
Coco milk/cream	**₱98,161**	₱23,741
Coco water concentrate	**38,488**	14,318
Virgin coconut oil	**236**	16,823
	₱136,885	₱54,882

Sale of goods by sales type

	2019	2018
Domestic	**₱819**	₱7,680
Export	**136,066**	47,202
	₱136,885	₱54,882

Receivables
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

b. Contract balances

The Group's contract balances as at December 31, 2019 and 2018 are as follows:

	2019	2018
Contract asset	**₱138,879**	₱146,462
Contract liabilities	**167,972**	111,447

Receivables
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract assets
Cash received from the sale of real estate properties, that does not meet the revenue recognition criteria set out in Note 4 are recognized in "Customers' deposits" account which is presented as part of "Contract liabilities and customer's deposits" account in the consolidated statements of financial position.

Breakdown as to current and noncurrent portion of the amount recorded under "Contract assets" account follows:

	2019	2018
Contract assets - current	**₱47,025**	₱42,538
Contract assets - noncurrent	**91,854**	103,924
	₱138,879	₱146,462

Contract liabilities

a. Deferred income amounting to ₱46.8 million and ₱7.3 million in 2019 and 2018, respectively, pertains to collections from buyers exceeding the recognized sale of real estate based on percentage-of-completion.

b. Customers' deposits amounting to ₱98.3 million and ₱103.6 million in 2019 and 2018, respectively, represent noninterest-bearing cash received from the sale of real estate properties, which did not meet the revenue recognition criteria as set out in Note 4. Deposits from sale of real estate properties will be applied against the receivable from the customers upon recognition of revenue

c. Guests' deposits pertain to the advance payments of guests for room reservations in the hotels amounting to ₱22.9 million and ₱4.9 million for the years ended December 31, 2019 and 2018, respectively.

c. Performance obligations (PO)

The following are the PO of the Group:

Real Estate Sales

(a) House and lot

For sale of house and lot, house and lot are separately identifiable promises but are expected to be combined as one performance obligation since these are not distinct within the context of the contract. The obligation to deliver the house duly constructed in a specific lot is fully integrated in the lot in accordance with the approved plan. If sale occurs upon completion, the Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the house and lot. If sale occurs prior to completion, the Group expects the revenue recognition to occur over time when satisfying the criterion of which the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

(b) Residential land

The developer performs significant activities of land development in accordance with the approved subdivision plan. This includes, but is not limited to, provision of drainage, sewerage, water and electricity system which integrates the common areas and saleable lots. These development activities, however, are not distinct promises but rather necessary and required inputs relative to the developer's promise to deliver the residential lot.

The developer integrates the saleable lots with the land development to be able to transfer the "residential lot" promised in the CTS.

(c) Memorial lot

The Group performs significant activities of land development in accordance with the approved memorial garden plan. This includes grading and landscaping, construction of pathways and interment amenities, and installation of water source. These development activities however, are not distinct promises but rather necessary and required inputs relative to the developer's promise to deliver the memorial lot.

Buyer can elect the payment means either as spot cash or in installment for a period ranging from one year to eight years. The Group determines that the payment of the consideration will not coincide with the percentage of completion of the real estate project and concluded that there is a significant financing component for these contracts.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) in relation to real estate sales amounted to ₱142.2 million and ₱106.3 million as at December 31, 2019 and 2018, respectively.

Hotel Revenues

(a) Hotel rooms

The Group also offers hotel room accommodations to customers through the five GoHotels of Roxaco Asia Hospitality Corporation and the resort of ANYA Hotels and Resorts Corporation.

(b) Food and beverage

For the sale of food and beverages, the performance obligation is satisfied when the goods are sold. Payment is generally due within 30 days as the customer receives the goods and services except for some customers with specific credit terms. The Group applies the practical expedient and does not disclose information about the remaining performance obligations that have original expected durations of one year or less.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) in relation to Hotel revenues amounted to ₱22.9 million and ₱5.1 million as at December 31, 2019 and 2018, respectively.

Manufacturing
(a) Sale of coconut products
The Group is involved in manufacturing of some coconut products that are being sold either domestic or by export.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) in relation to manufacturing revenues is ₱2.4 million and nil as at December 31, 2019 and 2018, respectively.

22. Cost and Expenses

Cost of hotel sales and services consist of:

	2019	2018	2017
Depreciation and amortization (Notes 12 and 13)	**₱69,275**	₱92,479	₱42,250
Salaries, wages and other employee benefits	**54,658**	36,294	11,832
Outside services	**47,693**	26,691	14,304
Communication, light and water	**41,779**	30,381	13,545
Food and beverage cost	**17,266**	11,316	–
Supplies	**14,824**	3,274	
Repairs and maintenance	**8,766**	3,583	1,075
Travel and transportation	**2,959**	5,450	154
Others	**6,008**	5,151	3,980
	₱263,228	₱214,619	₱87,140

Other cost of hotel sales and services are expensed as incurred which are incurred for the generation of revenue from ancillary services like laundry.

Cost of goods sold consist of:

	2019	2018	2017
Materials used and changes in inventory	**₱51,441**	₱34,534	₱–
Direct labor	**31,666**	4,988	–
Depreciation (see Notes 12 and 13)	**22,235**	388	–
Indirect labor	**15,882**	519	–
Packaging materials	**10,731**	2,580	–
Communication, light and water	**10,272**	3,094	–
Factory supplies	**7,516**	235	–
Taxes and licenses	**7,436**	168	–
Provision for inventory write-down (Note 9)	**6,265**	–	–
Repairs and maintenance	**2,850**	76	–
Loss on inventory write-off	**2,381**	–	–
Short-term lease	**1,025**	83	–
Others	**5,871**	180	–
	₱175,571	₱46,845	₱–

Operating expenses consist of:

	2019	2018	2017
General and administrative	**₱368,549**	₱475,104	₱327,425
Selling	**52,917**	46,200	16,861
	₱421,466	₱521,304	₱344,286

General and administrative expenses consist of:

	2019	2018	2017
Salaries, wages and other employee benefits (Note 23)	**₱135,574**	₱185,161	₱114,917
Depreciation and amortization (Notes 12 and 13)	**61,365**	44,757	16,618
Taxes and licenses	**53,557**	58,221	9,191
Outside services	**44,675**	66,471	42,381
Communication, light and water	**17,303**	19,054	26,338
Entertainment, amusement and recreation	**8,416**	10,088	2,963
Travel and transportation	**8,413**	10,698	5,114
Repairs and maintenance	**5,168**	4,245	2,149
Materials and consumables	**4,881**	18,685	1,648
Short-term and low-value asset lease	**4,054**	–	–
Insurance	**3,073**	4,164	1,097
Yield guarantee to real estate buyers (Note 28)	**–**	24,946	14,898
Rent expense	**–**	7,314	4,871
Others	**22,070**	21,300	85,240
	₱368,549	₱475,104	₱327,425

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

Selling Expenses

This account mainly pertains to marketing, commission on real estate sales and advertising and promotion expenses.

23. **Personnel Costs**

The components of employee benefits from continuing operations presented under "Cost of sales and services and general and administrative expenses" account in the consolidated statements of income are as follows.

	2019	2018	2017
Salaries and wages (Note 22)	**₱188,771**	₱230,053	₱126,749
Allowances and other employee benefits	**23,896**	22,935	20,592
Retirement benefits (Note 18)	**13,994**	24,220	6,520
	₱226,661	₱277,208	₱153,861

24. **Other Income (Charges)**

Other income (charges) consists of:

	2019	2018	2017
Gain on sale of investment properties (Note 14)	**₱168,406**	₱–	₱–
Undistributed service charge	**4,113**	–	–
Sale of scrap	**3,555**	146	590
Income from hotel banquets	**3,016**	–	–
Property management services	**2,672**	4,092	–
Forfeited sale	**2,011**	993	–
Rent income (Note 14)	**577**	566	3,441
Sale of furniture and fixtures	**627**	3,160	8,061
Penalty from late payment	**615**	779	607
Interment income	**9**	613	199
Gain on collection of loans receivable	**–**	28,897	–
Titling and administration fees	**–**	3,046	3,639
Others	**2,369**	3,905	8,361
	₱187,970	₱46,197	₱24,898

Others include other hotel charges such shuttle services, laundry services, among others.

25. Discontinued Operations and Assets Held for Sale

On November 7, 2019, the Board of Directors of RAHC approved the plan to sell the GoHotel Cubao property. Sale was completed in February 2020. As at December 31, 2019, GoHotel Cubao was classified as a disposal group held for sale and as a discontinued operation. The results of GoHotel Cubao for the year are presented below:

	2019	2018	2017
Revenue from contracts with customers	**₱28,902**	₱25,824	₱11,684
Cost of services	**(31,943)**	(30,829)	(14,500)
Gross operating loss	**(3,041)**	(5,005)	(2,816)
Operating expenses	**(13,011)**	(13,475)	(12,160)
Finance costs	**(23,386)**	(16,152)	(7,506)
Other income	**270**	561	1,306
Loss before tax from a discontinued operation	**(39,168)**	(34,071)	(21,176)
Tax benefit (expense):	**29**	(5,093)	–
Loss from discontinued operations	**(₱39,139)**	(₱39,164)	(₱21,176)

The restatement of the 2018 and 2017 consolidated statements of income as a result of the discontinued operations are presented below:

	2018 Balances as Previously Reported	**Balances Attributable to Discontinued Operations**	**2018 Balances after Restatement**
Revenue from			
Hotel revenues	₱388,470	₱25,824	₱362,646
Real estate sales	106,787	–	106,787
Sale of goods	54,882	–	54,882
	550,139	25,824	524,315
Cost of sales and services			
Cost of hotel sales and services	(245,448)	(30,829)	(214,619)
Cost of real estate sales	(70,671)	–	(70,671)
Cost of goods sold	(46,845)	–	(46,845)
	(362,964)	(30,829)	(332,135)
Gross income	187,175	(5,005)	192,180
Operating expenses	(534,779)	(13,475)	(521,304)
Other income (charges)			
Unrealized fair value gain on investment properties	709,199	–	709,199
Interest expense	(237,921)	(16,152)	(221,769)
Interest income	12,589	503	12,086
Equity in net earnings (loss) of associates	(7,508)	–	(7,508)
Others - net	46,257	58	46,199
	522,616	(15,591)	538,207
Income before income tax	175,012	34,071	209,083
Income tax benefit (expense):	16,643	5,093	11,550
Net income (loss)	₱158,369	(₱39,164)	(₱197,533)

	2017 Balances as Previously Reported	Balances Attributable to Discontinued Operations	2017 Balances after Restatement
Revenue from			
Hotel revenues	₱185,850	₱11,684	₱174,166
Real estate sales	322,725		322,725
Sale of goods			
	508,575	11,684	496,891
Cost of sales and services			
Cost of hotel sales and services	(101,640)	(14,500)	(87,140)
Cost of real estate sales	(176,900)	–	(176,900)
Cost of goods sold	–	–	–
	(278,540)	(14,500)	(264,040)
Gross income	230,035	(2,816)	232,851
Operating expenses	(356,446)	(12,160)	(344,286)
Other income (charges)			
Unrealized fair value gain on investment properties	–	–	–
Interest expense	(106,669)	(7,506)	(99,163)
Interest income	10,366	–	10,366
Equity in net earnings (loss) of associates	23,155	–	23,155
Others - net	26,204	1,306	24,898
	(46,944)	(6,200)	(40,744)
Income before income tax	(173,355)	(21,176)	(152,179)
Income tax benefit (expense):	(2,527)	–	(2,527)
Net income (loss)	(₱170,828)	(₱21,176)	(₱149,652)

The major classes of assets and liabilities of GoHotel Cubao as held for sale as at December 31 are, as follows:

	2019
Assets	
Plant and equipment (Note 12)	₱373,679
Liabilities	
Trade and other payables	6,719
Contract liability	5,000
Deferred tax liability	19,783
Borrowings (Note 15)	200,000
Liabilities directly associated with assets held for sale	231,502
Net assets directly associated with disposal group	₱142,177

The net cash flows of GoHotel Cubao are as follows:

	2019	2018
Operating	**₱1,923**	(₱2,262)
Financing	**(19,998)**	(13,077)
Net cash outflow	**(₱18,075)**	(₱15,339)

In January 2020, RAHC sold Go Hotels Cubao properties to a certain buyer and collected the payment in February 2020.

26. **Income Taxes**

a. Provision for (benefit from) income taxes comprise the following:

	2019	2018	2017
Current	**₱7,055**	₱5,314	₱6,059
Deferred	**(16,371)**	6,236	(8,586)
	(₱9,316)	₱11,550	(₱2,527)

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

	December 31, 2019		December 31, 2018	
	Net Deferred Income Tax Assets	**Net Deferred Income Tax Liabilities**	Net Deferred Income Tax Assets	Net Deferred Income Tax Liabilities
Deferred tax assets on:				
NOLCO	**₱28,615**	**₱–**	₱22,903	₱–
Customers' deposit	**22,687**	**–**	24,746	–
Allowance for:				
Impairment losses of receivables	**8,418**	**–**	8,418	–
Impairment losses on investments in associates	**4,544**	**–**	4,544	–
Retirement liability	**18,451**	**–**	16,416	–
Lease liabilities	**46,022**	**–**	–	–
Unrealized foreign exchange loss	**38**	**–**	–	–
Deferred income	**11,420**	**–**	2,561	–
Excess MCIT over RCIT	**9,393**	**–**	6,371	–
Various accruals	**634**	**–**	634	–
	150,222	**–**	86,593	–
Deferred tax liabilities on:				
Taxable temporary difference arising from use of installment method of revenue recognition for tax reporting	**(20,420)**	**–**	(8,358)	–
Revaluation increment on land	**(3,059)**	**(94,053)**	(3,059)	(74,526)
Prepaid commissions	**(2,213)**	**–**	(2,187)	–
Right-of-use assets	**(35,173)**	**–**	–	–
Actuarial gain	**(1,807)**	**–**	(2,642)	–
Rent receivable	**(2,254)**	**–**	(2,254)	–
Net unrealized foreign exchange gain	**–**	**–**	(3)	(9)
	(64,926)	**(94,053)**	(18,503)	(74,535)
Net deferred tax assets (liabilities)	**₱85,296**	**(₱94,053)**	₱68,090	(₱74,535)

	2019	2018	2017
Through profit or loss	**(₱16,371)**	₱11,210	(₱8,586)
Through other comprehensive income	**14,068**	(14,762)	43,859
	(₱2,303)	₱3,552	₱35,273

Deductible temporary differences, carryforward benefits of NOLCO and excess MCIT over RCIT for which no deferred income tax assets were recognized:

	2019	2018
NOLCO	**₱572,832**	₱575,303
Allowance for impairment losses on:		
Investments in associates	**1,384**	1,384
Financial assets at FVTOCI	**688**	688
Excess MCIT over RCIT	**11,446**	9,991
Accrued rent	**7,514**	7,514

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.

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

NOLCO

Period Incurred	Balance at December 31, 2018	Additional	Expired	Balance at December 31, 2019	Tax Effect	Available Until
September 30, 2016	₱132,025	₱–	₱132,025	₱–	₱–	30-Sept-19
December 31, 2016	67,265	–	67,265	–	–	31-Dec-19
December 31, 2017	82,248	–	–	82,248	24,674	31-Dec-20
December 31, 2018	375,403	–	–	375,403	112,621	31-Dec-21
December 31, 2019	–	210,564	–	210,564	63,169	31-Dec-22
	₱656,941	₱210,564	₱199,290	₱668,215	₱200,464	

MCIT:

Period Incurred	Balance at December 31, 2018	Additional	Expired	Balance at December 31, 2019	Tax Effect	Available Until
September 30, 2016	₱1,343	₱–	₱1,343	₱–	₱–	30-Sept-19
December 31, 2016	582	–	582	–	–	31-Dec-19
December 31, 2017	9,344	–	–	9,344	9,344	31-Dec-20
December 31, 2018	5,093	–	–	5,093	5,093	31-Dec-21
December 31, 2019	–	6,402	–	6,402	6,402	31-Dec-22
	₱16,362	₱6,402	₱1,925	₱20,839	₱20,839	

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

	2019	2018	2017
Income tax expense (benefit) at statutory rate	**₱61,680**	₱52,503	(₱52,007)
Adjustments resulting from:			
Changes in unrecognized deferred tax assets	**98,018**	105,857	53,847
Tax effects of:			
Equity in loss (net earnings) of associates	**116,462**	2,252	(6,947)
Loss covered by ITH	–	36,356	–
Reversal of temporary differences	**1,308**	30,115	–
Nondeductible interest expense	**7**	203	2,572
Interest income already subjected to final tax and dividend income exempt from tax	**(3,630)**	690	8

(Forward)

	2019	2018	2017
Nontaxable gain on sale of investment properties	**(₱60,048)**	₱–	₱–
Nontaxable gain on change in fair value of investment properties	**(229,023)**	(212,760)	–
Others	**5,910**	1,427	–
Provision for (benefit from) income tax	**(₱9,316)**	₱16,643	(₱2,527)

27. Earnings (Loss) Per Share

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

	2019 (One Year)	2018 (One Year)	2017 (One Year)
Net income (loss) attributable to the equity holders of the Parent Company	**₱243,413**	₱240,693	(₱147,153)
Less dividends on preferred shares	**42,051**	2,917	–
	201,362	237,776	(₱147,153)
Weighted average number of shares issued and outstanding:			
Issued and outstanding ordinary shares	**2,002,463,091**	1,976,558,040	1,973,809,482
Effect of issuance of treasury shares	**46,724,908**	25,905,051	2,748,558
	2,049,187,999	2,002,463,091	1,976,558,040
Basic/diluted earnings (loss) per share	**₱0.10**	₱0.12	(₱0.07)

Earnings per share for discontinued operations is computed as follows:

	2019 (One Year)	2018 (One Year)	2017 (One Year)
Net loss attributable to the equity holders of the Parent Company	**(₱19,961)**	(₱19,974)	(₱10,800)
Less dividend on preferred shares	**42,051**	2,917	–
	(62,012)	(22,891)	(₱10,800)
Weighted average number of shares issued and outstanding:			
Issued and outstanding ordinary shares	**2,002,463,091**	1,976,558,040	1,973,809,482
Effect of issuance of treasury shares	**46,724,908**	25,905,051	2,748,558
	2,049,187,999	2,002,463,091	1,976,558,040
Basic/diluted earnings (loss) per share	**(₱0.03)**	(₱0.01)	(₱0.01)

There are no potential dilutive common shares as at December 31, 2019 and 2018.

28. **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 DAR issued Notices of Coverage, and subsequently, 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."

On February 8, 2011, the Supreme Court denied the Parent Company's Second Motion for Reconsideration (MR) and affirmed with finality its December 2009 decision.

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 September 2011, 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 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 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 CA. On May 7, 2016, the DAR denied the application for exemption filed by the Parent Company for the 285.9 hectares of land located in Nasugbu, Batangas. On June 27, 2016, the Parent Company filed an MR for the

285.9 hectares application, which the DAR denied. The Parent Company then filed an appeal with the Office of the President.

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 GR No. 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 Parent 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.

On October 26, 2017, CA has partially granted the Group's Petition for Certiorari pertaining to the NoC. Subsequently, the Group filed a MR over the issuance of CLOAs by DAR in favor of the farmer-beneficiaries.

On August 13, 2018, the Parent Company received the Court of Appeals Resolution, which dismissed the Parent Company and DAR's Motions for Partial Reconsideration. The Parent Company subsequently filed a Petition for Review on Certiorari under Rule 45 of the Rules of Court to assail the Court of Appeals' Decision and Resolution before the Supreme Court. In the meantime, DAR, through Office of the Solicitor General (OSG), filed its own Petition for Review on Certiorari.

On November 19, 2018, the Parent Company filed a Comment/Opposition Ad Cautelam to DAR's said petition. The petitions filed by the Parent Company and DAR were consolidated and are now pending before the Supreme Court.

Other Contingencies
In the opinion of management and legal counsel, there are no other pending labor or other legal cases and claims in the ordinary course of business that will have a material effect on the financial position and performance of the Group, except for the disputed claims for which the Group did not recognize a provision for losses for the years ended December 31, 2019, 2018 and 2017.

<u>Joint Operations</u>
On December 2, 2009, RLC entered into a joint arrangement with VJPI for the development of Anya Resorts and Residences in Tagaytay, Cavite (the "Project"). 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.

As at December 31, 2019 and 2018, the Project is fully sold. Outstanding balance due from VJPI amounted to ₱0.1 million as at December 31, 2019 and 2018 is included as part of due from related parties and presented in the consolidated statements of financial position.

Unused Credit Lines
As at December 31, 2019 and 2018, the Group has unused lines of credit with local banks amounting to ₱90.0 million and ₱178.0 million, respectively (see Notes 15 and 16).

29. **Financial Instruments**

Risk Management, Objectives and Polices
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, interest rate risk and credit risk. Risk management is carried out by senior management under the guidance and direction of the BOD of the Parent Company.

Liquidity risk
Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet maturing obligations.

The Group's objective is to maintain sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the business, the Group aims to maintain flexibility in funding by keeping track of daily cash flows and maintaining committed credit lines available (see Notes 15 and 16).

The tables below summarize the maturity profile of the financial liabilities based on contractual undiscounted payments and the related financial assets and contract assets used for liquidity management as at December 31, 2019 and 2018:

	December 31, 2019					
	On Demand	Less than One Year	One to Two Years	Two to Five Years	Over Five Years	Total
Short-term borrowings	₱–	₱1,265,634	₱–	₱–	₱–	₱1,265,634
Trade and other payables*	–	550,906	–	–	–	550,906
Due to related parties	95,255	–	–	–	–	95,255
Long-term borrowings	–	430,649	756,149	1,006,160	275,886	2,468,844
	₱95,255	₱2,247,189	₱756,149	₱1,006,160	₱275,886	₱4,380,639
Cash and cash equivalents	₱75,395	₱–	₱–	₱–	₱–	₱75,395
Trade and other receivables	–	195,629	–	–	–	195,629
Contract assets	–	47,025	–	–	–	47,025
Due from related parties	89,129	–	–	–	–	89,129
	₱164,524	₱242,654	₱–	₱–	₱–	₱407,178

**Excludes payable to government agencies amounting to ₱6.7 million.*

	December 31, 2018					
	On Demand	Less than One Year	One to Two Years	Two to Five Years	Over Five Years	Total
Short-term borrowings	₱–	₱1,311,000	₱–	₱–	₱–	₱1,311,000
Trade and other payables*	–	505,218	–	–	–	505,218
Due to related parties	150,084	–	–	–	–	150,084
Long-term borrowings	–	920,482	205,869	900,582	699,969	2,726,902
	₱150,084	₱2,736,700	₱205,869	₱900,582	₱699,969	₱4,693,204
Cash and cash equivalents	₱215,888	₱–	₱–	₱–	₱–	₱215,888
Trade and other receivables	–	102,560	–	–	–	102,560
Contract assets	–	42,538	–	–	–	42,538
Due from related parties	77,433	–	–	–	–	77,433
Advances to suppliers	101	42,457	–	–	–	42,558
	₱293,422	₱187,555	₱–	₱–	₱–	₱480,977

**Excludes payable to government agencies amounting to ₱9.4 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 because the corresponding title to the party sold under this arrangement is transferred to the buyers only upon full payment of the contract price.

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 following table shows the maximum exposure to credit risk of the Group shown at gross before the effect of mitigation through collateral agreements.

	December 31, 2019	December 31, 2018
Cash in banks and cash equivalents	**₱75,395**	₱215,888
Trade and other receivables*	**284,758**	165,383
	₱360,153	₱381,271

** Net of allowance for impairment losses totaling ₱14.6 as of December 31, 2019 and 2018,*

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 following tables below show the credit quality of "neither past due nor impaired" financial instruments as well as the amounts of "past due but not impaired" and "impaired" financial instruments:

December 31, 2019:

	Neither past due nor impaired					
	High Grade	**Standard Grade**	**Substandard Grade**	**Past due but not impaired**	**ECL**	**Total**
Financial assets at amortized cost:						
Cash in bank	**₱73,079**	**₱–**	**₱–**	**₱–**	**₱–**	**₱73,079**
Receivables:						
Trade	**–**	**177,276**	**–**	**–**	**2,469**	**179,745**
Others	**–**	**30,494**	**–**	**–**	**–**	**30,494**
Due from related parties	**–**	**76,988**	**–**	**–**	**12,141**	**89,129**
Refundable deposits	**–**	**3,926**	**–**	**–**	**–**	**3,926**
	₱73,079	**₱288,684**	**₱–**	**₱–**	**₱14,610**	**₱376,373**

December 31, 2018:

	Neither past due nor impaired					
	High Grade	Standard Grade	Substandard Grade	Past due but not impaired	ECL	Total
Financial assets at amortized cost:						
Cash in banks and cash equivalents	₱213,845	₱–	₱–	₱–	₱–	₱213,845
Receivables:						
Trade	–	78,307	–	–	2,469	80,776
Others	–	21,784	–	–	–	21,784
Due from related parties	–	65,292	–	–	12,141	77,433
Refundable deposits	–	3,430	–	–	–	3,430
	₱213,845	₱168,813	₱–	₱–	₱14,610	₱397,268

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.

The Group used the following staging parameter for financial instruments as shown below.

Stage	**Description**
1	12-month ECL
2	Lifetime ECL not credit-impaired
3	Lifetime ECL credit-impaired

The table below shows the credit quality per class of financial instrument (gross of allowance for credit losses) as of December 31, 2019 and 2018:

December 31, 2019:

	Financial Assets			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Amortized Cost				
Cash in banks and cash equivalents	**₱73,079**	**₱–**	**₱–**	**₱73,079**
Receivables:				
Trade	**–**	**177,276**	**–**	**179,745**
Others	**30,494**	**–**	**–**	**30,494**
Due from related parties	**76,988**	**–**	**12,141**	**89,129**
Refundable deposit	**3,926**	**–**	**–**	**3,926**
	₱184,487	**₱177,276**	**₱14,610**	**₱376,373**

December 31, 2018:

	Financial Assets			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Amortized Cost				
Cash in banks and cash equivalents	₱213,845	₱–	₱–	₱213,845
Receivables:				
Trade	–	78,307	2,469	80,776
Others	21,784	–	–	21,784
Due from related parties	65,292	–	12,141	77,433
Refundable deposit	3,430	–	–	3,430
	₱304,351	₱78,307	₱14,610	₱397,268

The Group uses a provision matrix to calculate ECL for trade receivables and contract assets. The provision rates are determined based on the Group's historical observed default rates analyzed in accordance to days past due by grouping of customers based on customer type and channels. The Group adjusts historical default rates to forward-looking default rate by determining the closely related economic factors affecting each customer segment. At each reporting date, the observed historical default rates are updated and changes in the forward-looking estimates are analyzed.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix as of December 31, 2019 and 2018.

December 31, 2019:

		Trade receivables						
		Days past due						
	Contract Asset	Current	<30 days	30-60 days	61-90 days	>91 days	Impaired Financial Assets	Totals
Expected credit loss rate	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**100%**	
Estimated total gross carrying amount at default	**₱138,879**	**₱177,276**	**₱–**	**₱–**	**₱–**	**₱–**	**₱2,469**	**₱179,745**
Expected credit loss	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱2,469**	**₱2,469**

December 31, 2018:

		Trade receivables						
		Days past due						
	Contract Asset	Current	<30 days	30-60 days	61-90 days	>91 days	Impaired Financial Assets	Totals
Expected credit loss rate	0%	0%	0%	0%	0%	0%	100%	
Estimated total gross carrying amount at default	₱146,462	₱78,307	₱–	₱–	₱–	₱–	₱2,469	₱80,776
Expected credit loss	₱–	₱–	₱–	₱–	₱–	₱–	₱2,469	₱2,469

For cash in banks and cash equivalents, other receivables, due from related parties and refundable deposits, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from the external credit rating agencies to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

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 for the years ended December 31, 2019 and 2018. The estimates are based on the outstanding interest-bearing liabilities of the Group with floating interest rate as at December 31, 2019 and 2018.

	Change in Basis Points (bps)	Effect on Income before Income Tax
December 31, 2019	**+/-50 bps**	**+/-₱12,829**
December 31, 2018	+/-50 bps	+/-₱14,143

Interest on financial liabilities with fixed interest rate is fixed until the maturity of the instrument (see Notes 15 and 16).

The other financial instruments of the Group that are not included in the foregoing tables are noninterest-bearing and are therefore not subject to interest rate risk.

Capital Management
The primary objective of the 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 December 31, 2019, 2018 and 2017.

Management considers the total consolidated equity reflected in the consolidated statements of financial position as its capital. The Group monitors its use of capital using leverage ratios, specifically, debt-to-equity ratio.

The Group is required to maintain a maximum debt-to-equity ratio of 3:1. The Group has the following debt-to-equity ratio:

	December 31, 2019	December 31, 2018
Total liabilities	**₱5,021,095**	₱4,934,820
Total equity	**8,542,871**	8,149,185
Total liabilities and equity	**₱13,563,966**	₱13,084,005
Debt-to-equity ratio	**0.59:1.0**	0.61:1.0

30. **Fair Values**

The Group has assets that are measured at fair value on a no-recurring basis in the consolidated statements of financial position after initial recognition. Non-recurring fair value measurements are those that another PFRS requires or permits to be recognized in the consolidated statements of financial position in particular circumstances. These include investment properties stated at fair value and land under property, plant and equipment at revalued amount.

The Group's management determines the policies and procedures for both recurring and non-recurring fair value measurement.

External valuers are involved for valuation of significant assets which are investment properties and land under property, plant and equipment. Involvement of external valuers is decided upon annually by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussion with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents with relevant external sources to determine whether the change is reasonable.

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

Cash in banks, trade and other receivables, short-term borrowings, trades and other payables and dividends payable
The carrying amounts of these instruments approximate their fair values due to their short-term maturities.

Long-term borrowings
The carrying value of long-term borrowings as at December 31, 2019 and 2018 approximates its fair value as they carry interest rates of comparable instruments in the market.

The Group has no financial instruments carried at fair value in the consolidated financial statements as at December 31, 2019 and 2018.

Investment properties and Land under property, plant and equipment
The valuation technique used for the investment properties and land under property, plant and equipment is Sales Comparison Approach which is a process to value based on sales of similar or substitute properties and related market data and establishes a value estimated by processes involving comparison.

The table below summarizes the significant unobservable input valuation for investment properties and land under property, plant and equipment held by the Group.

Asset measured at fair value (Level 3)	**Significant unobservable inputs**	**Interrelationship between key unobservable input and fair value measurement**
Investment properties		
December 31, 2019	Price per square meter; Estimates range from is about ₱128 per sqm to ₱1600 per sqm	The estimated fair value would increase (decrease) if the price per square meter increase (decrease)
December 31, 2018	Price per square meter; Estimates range from is about ₱150 per sqm to ₱1500 per sqm	The estimated fair value would increase (decrease) if the price per square meter increase (decrease)
Land under property, plant and equipment		
December 31, 2019	Price per square meter. Estimates range from is about ₱120,000 per sqm to ₱220,000 per sqm	The estimated fair value would increase (decrease) if the price per square meter increase (decrease)
December 31, 2018	Price per square meter. Estimates range from is about ₱70,000 per sqm to ₱185,000 per sqm	The estimated fair value would increase (decrease) if the price per square meter increase (decrease)

There are no transfers to Level 1 and Level 2 fair value measurement.

31. **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: AHC, SMMSI, and RAHC.

b. Hotel
RAHC, a subsidiary of RLC, is incorporated primarily to build and own a minimum of five GoHotelsin Metro Manila and in selected provincial destinations over the next two to three years. GoHotel Manila Airport Road, North EDSA, Cubao, Malate, and Timog started its commercial operations in October 2016, February 2017, April 2017, June 2017, and October 2017, respectively. RAHC offers 24/7 hotel services to all customers of its budget hotel brand "GoHotels".

AHRC was formed to be the asset holding company that owns the Anya Hotel Core of Phase 2 of Anya Resort and Residences project in Tagaytay.

c. Manufacturing
RSAI is a subsidiary of the Parent Company and manufacturing arm of the Group. RSAI is incorporated primarily to manufacture coconut products.

d. Others
Other segments of the Group include the Parent Company, which owns various tracts of lands in Nasugbu, Batangas, 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 PFRSs. 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 and hotel operations. The real estate and hotel operations 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, prepaid expenses and property, plant and equipment, net of related accumulated depreciation. Segment liabilities include all operating liabilities and consist principally of trade payables, accruals and customers' deposits. Segments assets and liabilities do not include deferred income taxes.

c. Inter-segment transfers

Segment revenue, expenses and results include transfers between business segments. Such transfers are accounted for at competitive market prices charged to unrelated customers or by suppliers for similar goods or services.

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

	December 31, 2019					
	Real Estate	**Hotel**	**Manufacturing**	**Others**	**Eliminations/ Adjustments**	**Consolidated Balances**
Sales	**₱236,816**	**₱434,173**	**₱136,885**	**₱56,931**	**(₱31,001)**	**₱833,804**
Cost of Sales and Services	**(86,412)**	**(250,425)**	**(175,571)**	**(12,803)**	**31,753**	**(493,458)**
Gross profit	**150,404**	**183,748**	**(38,686)**	**44,128**	**752**	**340,346**
Interest income	**14,089**	**1,157**	**7**	**11,429**	**(11,404)**	**15,278**
Interest expense	**(84,539)**	**(115,046)**	**(57,435)**	**(46,119)**	**11,404**	**(291,735)**
Others	**(148,909)**	**(125,686)**	**(65,037)**	**870,300**	**(752)**	**529,916**
Income (loss) before income tax	**(68,955)**	**(55,827)**	**(161,151)**	**879,738**	**–**	**593,805**
Income tax benefit (expense)	**12,041**	**(2,658)**	**–**	**(68)**	**–**	**9,315**
Segment Income (Loss)	**(56,914)**	**(58,485)**	**(161,151)**	**879,670**	**–**	**603,120**
Loss from Discontinued Operations	**–**	**(39,139)**	**–**	**–**	**–**	**(39,139)**
	(56,914)	**(97,624)**	**(161,151)**	**879,670**	**–**	**563,981**
Equity in net earnings of associates and a joint venture	**–**	**–**	**–**	**(388,205)**	**–**	**(388,205)**
Consolidated Net Income (Loss)	**(₱56,914)**	**(₱97,624)**	**(₱161,151)**	**₱491,465**	**₱–**	**₱175,776**
Assets and Liabilities						
Current assets	**₱1,258,347**	**₱545,732**	**₱168,608**	**₱392,262**	**(₱750,441)**	**₱1,614,508**
Noncurrent assets	**871,415**	**2,614,168**	**932,816**	**8,840,691**	**(1,268,817)**	**11,990,273**
Total Assets	**₱2,129,762**	**₱3,159,900**	**₱1,101,424**	**₱9,232,953**	**(₱2,019,258)**	**₱13,604,781**
Current liabilities	**₱922,634**	**₱1,324,793**	**₱582,514**	**₱671,558**	**(₱723,923)**	**₱2,777,576**
Noncurrent liabilities	**551,898**	**1,306,933**	**400,541**	**431,031**	**(434,043)**	**2,256,360**
Total Liabilities	**₱1,474,532**	**₱2,631,726**	**₱983,055**	**₱1,102,589**	**(₱1,157,966)**	**₱5,033,936**

	December 31, 2018					
	Real Estate	Hotel	Manufacturing	Others	Eliminations/ Adjustments	Consolidated Balances
Sales	₱106,787	₱364,425	₱54,882	₱51,679	(₱27,634)	₱550,139
Cost of Sales and Services	(70,671)	(221,364)	(46,845)	(24,084)	–	(362,964)
Gross profit	36,116	143,061	8,037	27,595	(27,634)	187,175
Interest income	9,371	3,151	10	10,944	(10,887)	12,589
Interest expense	(58,041)	(102,533)	(46,734)	(41,500)	10,887	(237,921)
Others	(113,608)	(225,717)	(138,597)	629,431	69,168	220,677
Income (loss) before income tax	(126,162)	(182,038)	(177,284)	626,470	41,534	182,520
Income tax benefit (expense)	(49,288)	47,588	–	18,343	–	16,643
Segment Income (Loss)	(76,874)	(229,626)	(177,284)	608,127	41,534	165,877
Equity in net earnings of associates and a joint venture	–	–	–	(7,508)	–	(7,508)
Consolidated Net Income (Loss)	(₱76,874)	(₱229,626)	(₱177,284)	₱600,619	₱41,534	₱158,369
Assets and Liabilities						
Current assets	₱1,295,313	₱374,559	₱144,923	₱279,636	(₱816,735)	₱1,277,696
Noncurrent assets	749,434	2,803,217	967,411	8,110,836	(824,589)	11,806,309
Total Assets	₱2,044,747	₱3,177,776	1,112,334	₱8,390,472	(₱1,641,324)	₱13,084,005
Current liabilities	₱961,653	₱1,545,051	₱393,678	₱745,947	(₱638,721)	₱3,007,608
Noncurrent liabilities	387,700	1,615,728	438,529	430,900	(945,645)	1,927,212
Total Liabilities	₱1,349,353	₱3,160,779	₱832,207	₱1,176,847	(₱1,584,366)	₱4,934,820

32. **Events after the Reporting Period**

Impact of corona virus disease (COVID-19) pandemic and enhanced community quarantine (ECQ)
On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 virus as a global pandemic. In a move to contain the COVID-19 pandemic, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six months and imposed an ECQ throughout the island of Luzon until April 12, 2020, which was subsequently extended to May 15, 2020. On May 13, 2020, the President of the Philippines approved shift from ECQ to modified ECQ until May 30, 2020, which was subsequently shifted to general community quarantine until June 30, 2020. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

For the islands of Visayas and Mindanao, the Local Government Units (LGUs) have the freedom on the implementation of community quarantines using the guidelines set by the Inter-agency Task Force. On March 20, 2020, the governor of the province of South Cotabato signed Executive Order No. 18 series of 2020 declaring and placing the entire province of South Cotabato under 14-day ECQ and calibrated total lockdown, which was further extended until April 30, 2020. On April 30, 2020, the governor of the province of South Cotabato signed Executive Order No. 25 series of 2020 declaring and placing the entire province of South Cotabato under modified general community quarantine (GCQ) which is still in effect as of June 24, 2020.

The Group considers the events surrounding the outbreak as non-adjusting subsequent events, which do not impact its financial position and performance as of and for the year ended December 31, 2019. However, the outbreak could have a material impact on its 2020 financial results and even periods thereafter. Considering the evolving nature of this outbreak, the Group cannot determine at this time the impact to its financial position, performance and cash flows. The Group will continue to monitor the situation.

The initial impact of the closure of the hotels during the ECQ was mitigated by its reopening in the middle of April to cater to returning Overseas Filipino Workers (OFWs) required to undergo the mandatory 14-day quarantine stay before being released. The GoHotels during this period have been enjoying occupancy and room rates that are within or better than pre-Covid levels.

These measures have significantly impacted also RLC’s business due to international and domestic travel restrictions which resulted in forced cancellations of hotels bookings and postponement of events driving down hospitality, travel and tourism for business and pleasure and, temporary employment adjustments such as flexible work arrangements. RLC’s ART was temporarily closed immediately after the imposition of ECQ. The development of the realty projects was also suspended as well as the collection of payments have been delayed, free of penalty charges, in support of government directives.

The RSAI’s plant operation at Tupi, South Cotabato was temporarily closed immediately after the imposition of ECQ and resumed its operations upon implementation of modified GCQ.

RAHC’s Go Hotels are less affected by the current crisis. It continues to operate the hotel sites as quarantine facilities in coordination with numerous international placement agencies and the government. For 2021 and periods thereafter, with the government's direction to support domestic travel and tourism for economic recovery, RAHC foresees its target markets to recover given its large domestic customer base and aggressive sales and marketing strategies.

RLC's hotel operations group together with the hotel management group thoroughly revisited; enhanced and developed new policies and procedures in compliance with guidelines of the Department of Tourism on the "New Normal". On the realty development, it is now focused more on selling properties originally planned to develop. It is also open for payment restructuring to our affected customers.

RSAI's top management thoroughly revisited; enhanced and developed new policies and procedures in compliance with guidelines of the Department of Health on the "New Normal". They are now focused more on selling coconut products on hand.

The Group will also avail of the programs under the Bayanihan to Heal as One Act to reschedule the repayment of debts in order to allow the business to have enough time to recover. For the year 2020, the Group will manage its operating costs that will be sufficient to support the business needs for the rest of the year.

ROXAS AND COMPANY, INC. AND SUBSIDIARIES
Index to Consolidated Financial Statements
As at and For the Year Ended December 31, 2019

SCHEDULE B

ROXAS AND COMPANY, INC. AND SUBSIDIARIES

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

DECEMBER 31, 2019

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)	₱4,698	₱2,563	₱–	₱–	₱7,261	₱–	₱7,261

SCHEDULE E

ROXAS AND COMPANY, INC. AND SUBSIDIARIES

CAPITAL STOCK

DECEMBER 31, 2019

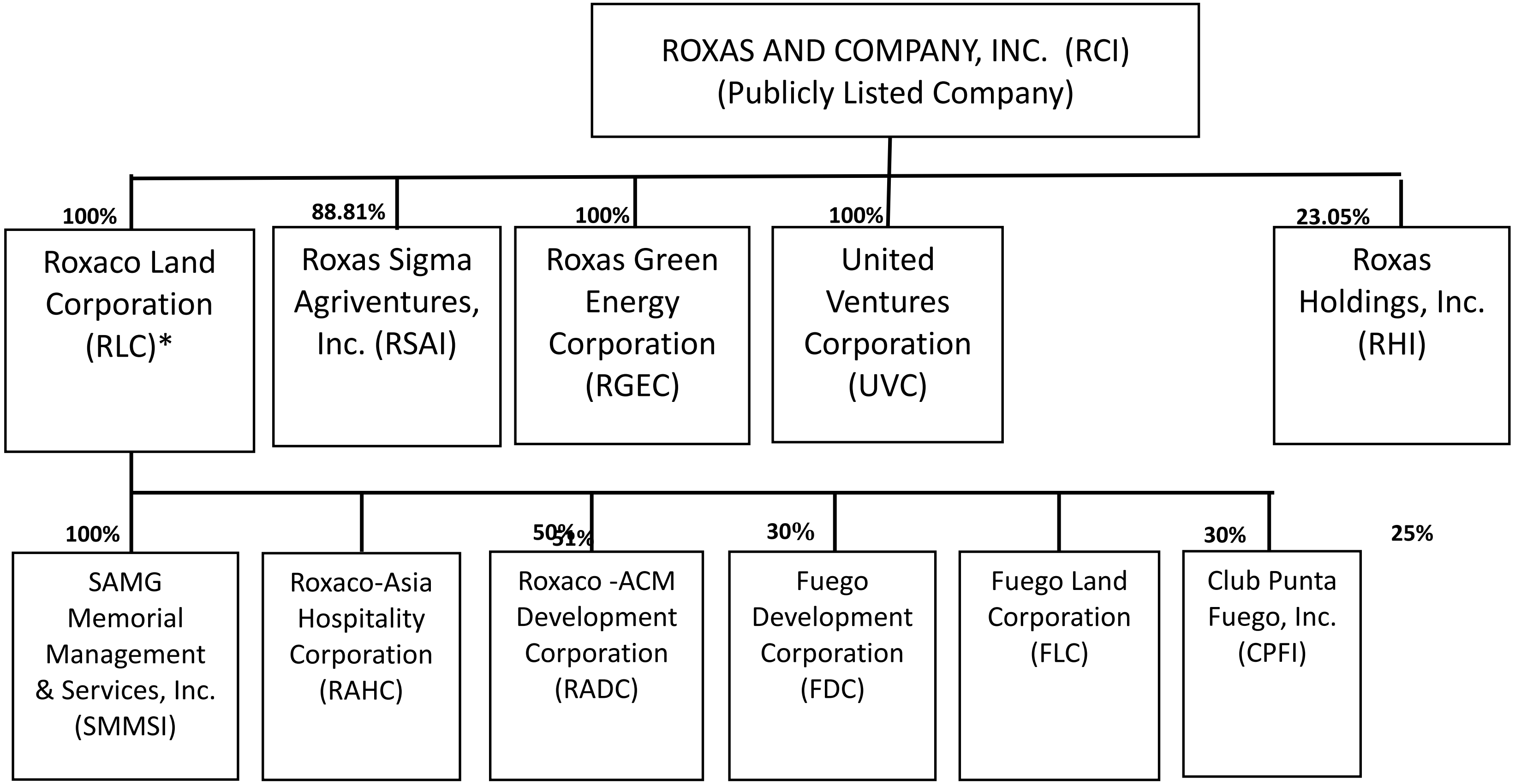
AMOUNTS IN THOUSANDS

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 stock - "Class A" at ₱1 par value	3,375,000	2,004,087	–	–	9,650	1,968,532
Preferred stock at ₱1 par value	1,000,000	500,000	–	–	–	500,000

SCHEDULE II
ROXAS AND COMPANY, INC. AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2019

Ratio	Formula	**December 31, 2019**	December 31,2018
Current ratio	$\frac{\text{Total current assets}}{\text{Total current liabilities}}$	**0.63:1**	0.54:1
Solvency ratio			
Debt to equity ratio	$\frac{\text{Net income after tax}}{\text{Total liabilities}}$	**0.59:1**	0.61:1
Asset to Equity ratio	$\frac{\text{Total assets}}{\text{Total equity}}$	**1.59:1**	1.61:1
Interest Rate Coverage ratio	$\frac{\text{Net income} + \text{depreciation expense} + \text{Interest expense}}{\text{Interest expense}}$	**0.08:1**	0.65:1
Profitability ratios			
Return on Assets	$\frac{\text{Net income}}{\text{Total assets}}$	**1.30%**	1.21%
Return on Equity	$\frac{\text{Net income}}{\text{Total equity}}$	**2.08%**	2.04%

SCHEDULE III
ROXAS AND COMPANY, INC. AND SUBSIDIARIES
CORPORATE STRUCTURE
DECEMBER 31, 2019



** On April 16, 2018, its BOD and stockholders authorized RLC to merge with Anya Hotels and Resorts and Corporation (AHRC), with RLC as surviving entity. On December 6, 2018, the Philippines SEC approved the merger of RLC and AHRC.*
***On July 23, 2018, RLC's BOD and stockholders authorized RLC to merge with Anya Hospitality Corporation (AHC), with RLC as the surviving entity. On February 18, 2019, the Philippine SEC approved the merger of AHC into RLC with RLC being the surviving corporation*

SCHEDULE IV
ROXAS AND COMPANY, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF UNAPPROPRIATED RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
FOR THE YEAR ENDED DECEMBER 31, 2019
IN THOUSANDS

Unappropriated retained earnings at beginning of year	₱377,915
Net income during the year closed to retained earnings	175,776
Add (deduct) unrealized income (charges):	
Unrealized fair value gain on investment properties	(763,410)
Reversal of appropriation for the period	79,432
Preferred dividends payment	(42,051)
	(550,253)
Unappropriated retained earnings available for dividend declaration at end of year	(₱172,338)

ANNEX "C"

SUSTAINABILITY REPORT

Roxas and Company, Inc.

Company Details	
Name of Organization	Roxas and Company, Inc. (RCI)
Location of Headquarters	7th Floor, Cacho-Gonzales Building, 101 Aguirre Street, Legaspi Village, Makati City
Location of Operations	Makati City; Nasugbu, Batangas; Tagaytay; and Tupi, Cotabato
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	Covered in this sustainability report is Roxas and Company, Inc. (RCI, hereinafter referred to as the "Group") and its subsidiaries: Roxaco Land Corporation (RLC) Roxas Sigma Agriventures, Inc. (RSAI) Roxas Green Energy Corporation (RGEC)
Business Model, including Primary Activities, Brands, Products, and Services	RLC is the property development arm of RCI which acquires real estate for investment, development, and/or sale. The Corporation is the registered owner of hectares of land in Nasugbu, Batangas. Subsumed in the Real Estate Corporation are Anya Hospitality Group (Hospitality Solutions), Anya Resort Tagaytay (Leisure & Lodging), and Roxaco-Asia Hospitality Corporation (Hotel & Development Management). RSAI is a wholesale producer of high-quality coconut-based products. Their coconut product portfolio is 100% organic, comprised of Aseptic Coconut Cream and Milk, Extracted Virgin Coconut Oil, and Frozen Coconut Water RGEC is the energy arm of the Corporation in Nasugbu, Batangas. Disclosures under the Environmental and Social sections are not inclusive of RGEC data as the firm has not begun commercial operations.
Reporting Period	January 1 to December 31, 2019
Highest Ranking Person responsible for this report	Atty. Monica Isabelle I. Villanueva

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.
The material topics were identified through a review of the sustainability-related topics recommended by SEC and determined which of those are deemed relevant by the Group's stakeholders and those which the Group has impact to. These were done through consultations with the Group's business units and its concerned departments.

NOTE: The discussion of impacts, risks, and opportunities are made per topic, instead of per metric, since the risks and opportunities apply to the topic rather than the individual metrics under one topic. This allows the Group to disclose more streamlined and focused narratives on each material topic, which would also apply to the metrics that correspond under the stated material topic.

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	833.80	PhP Million
Direct economic value distributed:	781.92	PhP Million
a. Operating costs	606.19	PhP Million
b. Employee wages and benefits	231.73	PhP Million
c. Payments to suppliers, other operating costs	606.19	PhP Million
d. Dividends given to stockholders and interest payments to loan providers	333.79	PhP Million
e. Taxes given to government	216.29	PhP Million
f. Investments to community (e.g. donations, CSR)	106	PhP Thousand

Procurement Practices

Proportion of spending on local suppliers

Disclosure	Amount	Unit
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	90	%

Impacts & Risk; Stakeholders Affected

The economic value generated by RCI flows towards its stakeholders—employees, suppliers and service providers, shareholders, government, and host communities—who drive the success of the Corporation. Through this, the Group enables its stakeholders to facilitate respective contributions to the local economy.

The main risks arising from the financial instruments are liquidity risk, interest rate risk, and credit risk. Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet maturing obligations. Credit risk is the risk that the Group will incur financial loss through default by counterparties in performing their obligations. Lastly, 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.

Incidences of corruption pose risks that could affect the flow of capital within the Group, depriving the rightful stakeholders. Additionally, while RCI invests in the preparedness for health-related and natural calamities, damages that may exceed the coverage of insurance or investment allocations may materially affect the financial health and operational condition.

Management Approach to Identified Impacts and Risks

RCI is able to generate economic value through its subsidiaries' capability to attract and retain locators and tenants in its properties (RLC) as well as customers for its hotel and resorts operations (RAHC, AHG, & ART). Additionally, sales of its finished goods (RSAI) also generate revenue in the form of coconut-based products. These revenue streams are boosted by maintaining amiable business relationships within the stakeholder ecosystem, namely product distributors, suppliers, and service providers. In addition, RCI commits to fulfilling vendor accreditation criteria and ensuring on-time release of payment tranches.

The Group benchmarks itself against best practices of similar industries—ensuring that its customers receive the best value for their money. Meanwhile, the compensation packages of RCI employees are benchmarked against industry and national standards to ensure that the workforce are provided with livable wages. For suppliers and service providers, the Corporation ensures that service agreements are diligently followed by all involved parties.

Risk management is carried out by senior management under the guidance and direction of the Board of Directors of the Parent Corporation. RCI ascertains that the Board and employees are made aware of and are compliant with all related national regulations and stipulations stated in the Group's Corporate Governance Manual and Code of Business Conduct and Ethics.

Opportunities and Management Approach

RCI seeks to continuously innovate its products and services to further establish its brand in the market. The Group intends to explore new investment and growth opportunities as well as identify potential strategic joint venture partners to secure financing strategies for future projects. Moreover, the Group also aims to enhance overall operational efficiency by improving synergies across RCI's subsidiaries.

With the new effects and risks brought by the COVID-19, this is an opportunity for RCI to review its risk management for infectious diseases. Reallocation of budget to prepare for this risk will be reassessed in anticipation for its adverse impacts to the business.

Climate-related risks and opportunities

RCI is in the process of understanding, identifying, and evaluating the climate-related risks and opportunities intrinsic to its businesses. RCI aims to determine how to effectively measure climate change's impact to its operations and core services.

Anti-corruption

Training on Anti-corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of directors and management that have received anti-corruption training	0	%
Percentage of employees that have received anti-corruption training	0	%

Incidents of Corruption

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	0	#
Number of incidents in which employees were dismissed or disciplined for corruption	0	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	#

Impacts & Risk; Stakeholders Affected

Any form of corruption significantly affects RCI's means to equitably deliver economic value to all its stakeholders. Corruption incidents would have an adverse impact to the Group's brand equity, its relationship with customers, and Corporation culture.

Management Approach to Identified Impacts and Risks

All newly-hired employees of RCI are presented with a Corporation Policy and Procedure pertaining to Employee Conduct & Work Expectations - Conflict of Interest Policy, which states that "The appearance of impropriety must also be avoided. Employees should not appear to be unduly influenced or corrupted by personal favors from a customer or supplier." This policy is then acknowledged, and signed by every employee during the onboarding process.

Opportunities and Management Approach

RCI shall take measures to effectively evaluate its anti-corruption policies as well as benchmark and adopt local and international best practices on anti-corruption to strengthen our existing processes in preventing such occurrences.

ENVIRONMENT

Resource Management

Energy consumption within the organization

Disclosure	Quantity	Units
Energy consumption (biomass)	938	MT
Energy consumption (gasoline)	76.77	GJ
Energy consumption (LPG)	1513.83	GJ
Energy consumption (diesel)	271.33	GJ
Energy consumption (electricity)	5,423,979.56	kWh

Impacts & Risks; Stakeholders Affected

RLC

The Corporation's main source of energy comes from electricity consumption, mainly through a local electricity provider. The firm relies on gasoline for the vehicles used in official business and diesel for its generator sets, aimed to offset power interruptions that affect the operations of commercial establishments. However, the Corporation consumes minimal amounts of LPG for several of its kitchen, laundry, and water feature operations.

The Company's overall impact on energy consumption largely depends on the degree of energy consumption of guests, tenants, customers, and employees within its operational establishments.

RSAI

The Firm consumes energy primarily for the sustenance of its operations and facilities. Its main source of energy is electricity, followed by diesel fuel and biomass energy respectively. Energy is integral to ensuring the Company's production year-round.

RAHC

Electricity comprises the majority of the Company's energy consumption. This is sourced mainly through a local electricity provider. Additionally, the Company consumes a minimal amount of diesel for its usage of generator sets during cases of power outages.

Management Approach to Identified Impacts and Risks

RLC

RLC has various energy efficiency practices across its business units, namely: RLC Realty, ART, RAHC, and AHG.

RLC Realty ensures that the use of the vehicles for official business is efficient. It invests in energy efficient equipment to decrease electric consumption for its facilities.

ART is able to effectively monitor the performance and efficiency of its facilities through its maintenance department. The Company has an existing policy to eliminate unnecessary usage of energy by strictly mandating that lights and equipment be turned off when not in use. ART also reduces its energy consumption through the replacement of old light bulbs with more energy efficient LED lights.

AHG practices proper turning off of facilities and equipment when not in use.

RSAI
As an alternative to fuel, the Company utilizes biomass to fuel the operations of its boiler units. Its biomass power is derived from the coconut shells generated through its operations. In 2019, the firm was able to generate biomass energy from 938 metric tons of coconut shells.

RAHC
RAHC has designated its engineering officers to implement Enercon Programs to optimize electricity usage across its different properties. These programs aim to streamline responsible usage of energy consuming appliances and facilities.

Water consumption within the organization

Disclosure	Quantity	Units
Water consumption	127,557.36	Cubic meters
Water recycled and reused	5,000	Cubic meters

Impacts & Risks; Stakeholders Affected

RLC
Water is consumed for commercial use across the Corporation's properties, offices, and facilities. Its tenants and employees regularly consume water for domestic activities and facility maintenance. Its water supply predominantly comes from water district utilities. The Company also sources minimal amounts of water from a deep-well for its resort operations in Tagaytay. As such, water shortages from these sources may pose substantial risks to the Company, because such disruptions could potentially impede ongoing operations.

RSAI
The Company considers water as a vital resource as it is used for the processing plant's steam generation and maintenance activities. Ensuring a stable water supply is crucial in maintaining the firm's plant operations.

RAHC
Water is consumed by its tenants, guests, and employees.

Management Approach to Identified Impacts and Risks

RCI has been regularly monitoring its water impacts (consumption and discharges) while ensuring that water use is maximized across its owned establishments and commercial properties.

Opportunities

RSAI

The Corporation has identified water efficiency opportunities to be implemented in the near future. These opportunities consist of processes such as recycling coconut water condensate and reusing water for comfort room use and sanitary activities. It is preparing a robust water recycling program to streamline its identified opportunities to implement water efficiency initiatives.

Materials used by the organization

Disclosure	Quantity	Units
Materials used by weight or volume	-	
● renewable	-	kg/liters
● non-renewable	-	kg/liters
Percentage of recycled input materials used to manufacture the organization's primary products and services.	-	%

***NOTE**: Unable to acquire quantitative data as procurement of construction materials is outsourced through a third party*

Impacts & Risks; Stakeholders Affected

RLC

Being the property development arm of Roxas and Company, it is responsible for managing real estate development projects across the Philippines. In 2019, RLC managed construction projects (Orchards, Landing Townhomes and Montana) wherein the contractors used materials, which primarily are steel and cement. However, materials consumed by RLC for its own operations are mainly composed of office and kitchen supplies.

RSAI

As a coconut processing company, RSAI regularly sources agricultural items for its daily production needs. Aside from its raw materials, the Corporation's top procured items are principally paper-based and polyethylene-based, used for packaging purposes.

RAHC

As an operator of hotels, RAHC does not have materials intensive processes in its operations. Its materials procurement is mainly composed of domestic and office items used for its daily hotel operations.

Ecosystems and Biodiversity

***NOTE**: Due to the nature of RCI's operations, this topic is not considered as material for the Group as it currently does not operate within the vicinity of locations with substantial biological diversity.*

Environmental Impact Management

GHG emissions

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	1,259.66	Tonnes CO2e
Energy indirect (Scope 2) GHG Emissions	3,862.96	Tonnes CO2e
Emissions of ozone-depleting substances (ODS)	Not Applicable	Tonnes

Air pollutants

Disclosure	Quantity	Units
NOx	Not Applicable	kg
SOx	Not Applicable	kg
Persistent organic pollutants (POPs)	Not Applicable	kg
Volatile organic compounds (VOCs)	Not Applicable	kg
Hazardous air pollutants (HAPs)	Not Applicable	kg
Particulate matter (PM)	Not Applicable	kg

Impacts & Risks; Stakeholders Affected

RLC

The Corporation's primary sources of Scope 1 emissions come from its use of LPG, diesel, and gasoline fuel. It also consumes electricity across its different properties and facilities which contribute to Scope 2 emissions. The extent of RLC's air emissions is directly correlated to the scale of its energy consumption, predominantly from electricity generation and fuel consumption.

RSAI

The Company's primary sources of Scope 1 emissions are from its 18 TPH Biomass (Coconut shell fired) Boiler and its 1.5MVA diesel power generator. For its Scope 2 emissions, it generally consumes electricity to power its facilities.

RAHC

Scope 2 emissions comprise the vast majority of RAHC's GHG emissions as its daily operations rely heavily on electricity. Its scope 1 emissions are very minimal since the Corporation's fuel use is limited to its generator sets for emergency situations.

Solid and Hazardous Wastes

Solid waste

Disclosure	Quantity	Units
Total solid waste generated	12,438.58	kg
Reusable	0	kg
Recyclable	144	kg
Composted	0	kg
Incinerated	0	kg
Residuals/Landfilled	12,294.58	kg

Hazardous waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated	5,887.21	kg
Total weight of hazardous waste transported	0	kg

Effluents

Disclosure	Quantity	Units
Average water discharge rate (RSAI)	112.3*	Cubic meters/day
Total volume water discharge	12,436	cubic meters
Percent of wastewater recycled	9.47	%

**Scope is limited to RSAI's operations*

Impacts & Risks; Stakeholders Affected

RLC

Solid waste production occurs as a byproduct of the operations of the RLC's various establishments. Generated waste within the Company's scope mainly consists of domestic waste from the guest houses, canteens, and office spaces.

RSAI

In 2019, RSAI generated a monthly average of 18.75 cubic meters of solid waste resulting from its manufacturing activities.

RAHC

The Company's generated waste is primarily domestic waste from tenants, guests, and employees' activities across its different properties.

Management Approach to Identified Impacts and Risks

ART

The Company operates a Materials Recovery Facility to responsibly store its solid waste before handing them over to certified waste disposal haulers for proper segregation. Furthermore, ART manages a Hazardous Waste Storage Facility where all hazardous wastes are properly labeled and temporarily stored. The resort has a schedule for proper disposal of hazardous waste, which is conducted by a DENR Certified Transporter and Treater.

To ensure that the Company's activities on handling, storing, and disposing of waste is documented and compliant with pertinent laws, the Pollution Control Officer prepares quarterly Self Monitoring Reports (SMR) and semi-annual Compliance Monitoring Reports (CMR) which are submitted to the Department of Environment and Natural Resources (DENR).

RAHC

Proper segregation is aligned with city ordinances on waste collection. Hazardous waste is also properly stored before being turned over to certified waste disposal haulers.

AHG

Proper segregation is aligned with city ordinances on waste collection.

Environmental compliance

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	10,000	PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	0	#
No. of cases resolved through dispute resolution mechanism	1	#

Impacts & Risks; Stakeholders Affected

The Group's business units are subject to local and national regulations and policies pertaining to environmental protection. It recognizes the compliance requirements which LGUs and DENR-EMB have on the respective parts of its business. The Group also acknowledges the risks that non-compliance of regulations pose to the continuity of its operations.

Management Approach to Identified Impacts and Risks

The Group has set in place governance measures and working teams who are responsible for ensuring that each of its operating assets are in full compliance with all relevant local and national environmental regulations.

SOCIAL

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
Total number of employees	381	#
a. Number of female employees	182	#
b. Number of male employees	199	#
Attrition rate	5%	rate
Ratio of lowest paid employee against minimum wage	1.09	ratio

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	48%	%
% of male workers in the workforce	52%	%
Number of employees from indigenous communities and/or vulnerable sector*	14	#

** Inclusive of PWDs, people of retirement age, and solo parents.*

Impacts & Risk; Stakeholders Affected

RCI provides market competitive compensation and benefits to its employees. The firm attracts both fresh and tenured talents of various industries to join its talent pool made evident by a benchmark entry-level basic pay that is 9% greater than the regional minimum wage.

Its operations primarily impact local constituencies by producing opportunities to the communities around RCI's commercial properties. In 2019, a total of 135 new jobs were generated from its core businesses.

The Company also has a well-balanced male-to-female social portfolio, maintaining an almost 50-50 ratio between men and women employees.

Management Approach to Identified Impacts and Risks

To remain competitive, the Group dedicates itself to improving business performance through provisions to assist employee needs. This is conducted through various assistance programs such as a streamlined Financial Assistance Plan, a performance recognition and rewards system, and early retirement benefits.

Scenario adjustments have also been made, in order to accommodate the impact of Covid-19 in daily operations. Some regulations implemented to ensure business continuity are shortened office hours and remote work set-up. As feasible, properties are opened and strictly managed within the bounds of public government guidelines.

Opportunities and Management Approach

With the unparalleled economic downturn brought about by the Covid-19 pandemic, the Group is continuously improving their business continuity plan incrementally as more national guidelines are progressively cascaded. From an employee management standpoint, it is clear that management has to adapt an agile approach to craft a strategy that would protect their employees and business operations from further negative economic and social impact. It is ideal for the strategic planning team to have short-, mid-, and long-term plans as the industry slowly recovers from the economic downturn that the pandemic has caused.

Employee training and development

Disclosure	Quantity	Units
Total training hours provided to employees	13,812	hours
a. Female employees	6,729	hours
b. Male employees	7,082	hours
Average training hours provided to employees	36	
a. Female employees	37	hours/employee
b. Male employees	36	hours/employee

Impacts & Risk; Stakeholders Affected

Capability building is recognized to be a key driver both to individual and organizational success. For the last fiscal year, an average of 36 working hours per capita has been allocated specifically for training and development with a focus on improving customer service and experience. RCI recognizes its responsibility to empower its employees, so that they are able to deliver world-class services to their customers.

Spearheaded by the Human Resources department, a total of 13,812 hours have been devoted for the upskilling of the group's human capital. Consequently, a reduction of formation programs risks poor quality of the talent pool, decline in customer satisfaction, and, ultimately, impediment from economic growth across the subsidiaries.

Management Approach to Identified Impacts and Risks

It is essential that RCI employees are knowledgeable of quality control competencies, global standard practices, technical operations, and hospitality best practices to deliver customer delight. Thus, RCI has made sure to empower its manpower with formation workshops and seminars related to these areas, comprising over 75 percent of the employees' allocated training time. Noteworthy learning sessions held last 2019 were Customer Service Improvement, Appreciative Inquiries for Supervisors and Managers, Playshops (team relationship building activities), Red Cross Training, and various technical trainings for engineers (BOSH, PCO LLDA, & PCO DENR).

Furthermore, RCI proactively conducts regular alignment on training needs to assess current skills inventory and identify existing skills gaps. These are then mapped against functional requirements and customer demands. Thereafter, programs are formed and executed either solely by an internal team or in partnership with external experts who specialize in those pre-determined competencies.

These avenues allow for growth both professionally and personally as employees to contribute more substantially to the company's business objectives while giving each a degree of personal satisfaction.

Opportunities and Management Approach

In lieu of the new emerging environment shaped by the global pandemic, RCI is presented with an opportunity to re-invest resources in training and development to future proof its social capital in preparation for the new ways of working that the post-covid scenario will bring to the tourism, agriculture, and energy industries.

It is significant to understand the shifts and changes that will occur in the value chains of the said industries. Ventures into agriculture may not retain conventional value chains post-COVID as there is a rising demand in the market for farm-to-table models. Energy is also at the forefront of change, even prior to the quarantines, as prices in renewable energy (mainly solar) have plunged significantly cheaper than traditional coal-generated electricity. Lastly, social distancing and the potential spread of a highly contagious disease has brought about innovations in lifestyle, the tourism industry moreso. With the countless facets that are affected, a review and evaluation of strategy and forecasts is highly recommended, as the Group is well-positioned to integrate training and performance at the core of the changing environment. However, the implementation team must take extra caution in defining appropriate performance indicators in order to achieve the aspired behavior of learned skills application.

Labor-management relations

NOTE*: This topic is not considered as material for the Group as it currently does not have labor unions across its subsidiaries.*

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	510,016	Man-hours
No. of work-related injuries	0	#
No. of work-related fatalities	0	#
No. of work-related ill-health	0	#
No. of safety drills	7	#

Impacts & Risk; Stakeholders Affected

The employees of RCI's business units are exposed to various health and safety risks due to the nature of their operations. For RAHC, AHG, and ART, the majority of the headcount comes from the local labor force, which poses an evident risk in the form of a large dependency on the general health and wellness of the areas in which these employees occupy. This was proven true by the recent COVID-19 pandemic, which caused the cessation of tourism and hospitality-related operations due to the threat of the virus to public health. Over 50 percent of RCI's workforce were directly affected.

For RSAI, employees are more exposed to natural disasters and calamities as there are challenges that come from the processing plant's location.

Management Approach to Identified Impacts and Risks

RCI's team of professionals is committed to ensuring that hazards and risks are recognized and identified in order to guide and direct employees to work safely, thereby preventing injuries and other issues in the workplace. This is conducted by ensuring that Occupational Safety and Health (OSH) standards are observed and government requirements concerning health and safety are consistently met. As an example, RSAI, AHG, and ART mandate their employees to undergo an 8-hour OSH training during onboarding, which is conducted by an in-house Safety and Security Manager.

In the event of work-related accidents, the RCI ensures that all identified safety hazards are reported to the management.

The Group is also active in participating with the local government initiatives on health and safety, such as joining community-initiated fire and earthquake drills.

Opportunities and Management Approach

A more frequent periodic assessment of the Group's readiness in terms of compliance with OSH standards can be pursued. With the COVID-19 pandemic, regulators, employees, and customers will place a premium on the health and safety of RCI's premises. As such, the RCI will be reassessing its current OHS systems in order to fulfill its promise to its stakeholders of their excellent product and service delivery.

Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	0	#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	N	
Child labor	N	
Human Rights	Y	From RCI's COBE: Section on Harassment and Bullying under Rules and Regulations of Code of Conduct

Impacts & Risk; Stakeholders Affected

Incidences of forced labor and child labor and violations of human rights violates labor-related laws and policies provided by the government. Allegations of abuse of human rights can escalate and develop into negative public perception, which impacts brand equity and customer loyalty. This is applicable across all RCI subsidiaries and, if present, must therefore be handled diligently.

Management Approach to Identified Impacts and Risks

RCI ensures that its businesses are compliant to and operate only within the boundaries and standards as stipulated in regulations provided by both the national and local governments. RCI has a Code of Business Ethics which is communicated to employees during onboarding to make them aware of their rights as an employee. This process aims to prevent RCI's operations from incidences of labor laws violations and abuse of human rights.

Opportunities and Management Approach

The Group will be benchmarking best business practices in disallowing forced labor, child labor, and protecting human rights to further strengthen RCI's labor-related policies. RCI will review its operations and assess where these violations are prone to happen, and identify how to mitigate occurrences of the same.

Supply Chain Management

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	N	This is not explicitly mentioned in the Group's Supplier Accreditation Policy, but it is implicitly covered due to suppliers being required to comply with all concerned laws and regulations.
Forced labor	N	This is not explicitly mentioned in the Group's Supplier Accreditation Policy, but it is implicitly covered due to suppliers being required to comply with all concerned laws and regulations.
Child labor	N	This is not explicitly mentioned in the Group's Supplier Accreditation Policy, but it is implicitly covered due to suppliers being required to comply with all concerned laws and regulations.
Human rights	N	This is not explicitly mentioned in the Group's Supplier Accreditation Policy, but it is implicitly covered due to suppliers being required to comply with all concerned laws and regulations.
Bribery and corruption	N	This is not explicitly mentioned in the Group's Supplier Accreditation Policy, but it is implicitly covered due to suppliers being required to comply with all concerned laws and regulations.

Impacts & Risk; Stakeholders Affected

The Group may be involved or exposed to various human rights risks and environmental risks within its supply chain in the absence of appropriate accreditation and screening criteria in the Purchasing Policy and Guidelines. Occurrences of violations on labor- and environmental-related laws and abuse of human rights by our suppliers may pose a risk on the quality of RCI's services as well as its brand and reputation to its stakeholders.

Management Approach to Identified Impacts and Risks

RCI conducts regular assessments of suppliers' performance—ensuring their compliance with all labor-related laws and regulations. Suppliers are flagged should any notable actions be discovered during the review.

Opportunities and Management Approach

RCI will consider integrating ESG criteria (e.g. suppliers' social and governance performance) in its supplier accreditation process. A revision of the existing Purchasing Policy will be done to document for consistent implementation.

Relationship with Community

Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)	Does the particular operation have impacts on indigenous people (Y/N)?	Collective or individual rights that have been identified that or particular concern for the community
RLC - Residential/housing projects 1. Landing Townhomes and Shophouses 2. Montana @ Hacienda Palico 3. Orchards @ Balayan	Nasugbu and Balayan, Batangas	Not Applicable	N	Right to Housing; Local employment
RLC - Memorial Project (San Antonio Memorial Gardens)	Nasugbu, Batangas	Not Applicable	N	Right to Burial
RSAI - Coconut harvesting and Processing plant operations	Tupi, Cotabato	Not Applicable	N	Pleasant smell and minimal noise within plant proximity; Local employment

Impacts & Risk; Stakeholders Affected

Through RLC's housing projects, the developer is able to provide a nurturing community to families that could help elevate their lifestyles and boost the local economy. Furthermore, they are able to provide decent jobs for the local community through construction and maintenance of these projects.

For its memorial park, it gives families a serene space where loved ones are always remembered in an atmosphere of togetherness.

Meanwhile, RSAI's business operations that are tied with the communities are coconut harvesting and its processing plant. The business relies heavily on the produce of local farms for the procurement of its raw materials. As such, they are strategically placed within the vicinity of numerous coconut farms, which it can potentially partner with. Additionally, the Company's operations are mostly carried out by local workers, enabling them to provide livelihood opportunities for its provincial location as well.

Furthermore, the processing plant's processes may generate loud noise and pungent smells in the surrounding areas, resulting in disruption of BAUs of other adjacent establishments.

Management Approach to Identified Impacts and Risks

The business operations of RCI's subsidiaries are placed across Batangas and Cotabato. The Group ensures that it employs people from the host community to provide decent work and improve the local economy.

To prevent adverse social and environmental impacts to the host communities, the Group ensures that periodic consultations are done with the concerned LGUs and civil society organizations before and during project operations. This helps in identifying the pain points as well as finding ways on how to address them. Through this, the Group aims to establish good relationships at all times with the local community.

For RCI's construction projects, the pool of partners consists of a select set of contractors who are proven reliable to complete projects' within the expected period of time.

Meanwhile RSAI, through its Trade Fair arrangements with its partner farmers, ensures equitable and transparent business partnerships with them. RSAI assists those farmers to increase coconut yield and improve their land fertility through employing new technologies and conducting training programs. In addition, the Company also partners with nearby schools for its immersion and OJT programs, which provides students with insights on the work opportunities in the food sector.

Opportunities and Management Approach

RCI is continually exploring opportunities in partnering with the local organizations and private companies which would help in community capacity building and improving social welfare of the host communities. As an example, RLC is exploring joint venture projects with other developers and/or contractors. Through this, more housing units will be made available in the locality. RAHC and RSAI will be working closely with the LGUs in identifying key opportunity areas where these business units may contribute the most.

Customer Management

Customer Satisfaction

Disclosure	Company	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction	RAHC	**6.7 / 10 (Overall)**	**Y**
		4.06 / 10 (GO Hotel North Edsa)	Y
		8.09 / 10 (GO Hotel Timog)	Y
		7.76 / 10 (GO Hotel Ermita)	Y
		6.89 / 10 (GO Hotel Manila Airport Rd.)	Y
	ART	75.90%	Y
	AHG *	Not Applicable	N/A
	RLC **	Not Applicable	N/A
	RSAI	Not Applicable	N/A

NOTES:

** Currently, there is no feedback system yet for AHG. As a hospitality consultancy and management group, AHG rarely receives feedback in writings or score ratings. AHG performance is currently based on the profitability and efficiency of managed properties. Concerns / comments are raised verbally. In the event that hotel owners are not satisfied with AHG's service, management contracts may not be renewed.*

*** The need for a third party to conduct customer satisfaction in the realty business is not yet being considered. Internally, customer satisfaction is gauged primarily through feedback, sales performance, and reorders.*

Impacts & Risk; Stakeholders Affected

Customer feedback serves as the gauge by which RCI determines how effective the group's products and services are in terms of delivering a premier customer experience (CX). Scores can be viewed as a representation of customer sentiment and leveraged on as a key channel to draw out insights from. Utilized well, the scores safeguards the company from failure to engage with its customers effectively.

At present, two hospitality developments (RAHC and ART) have existing mechanisms to measure CX, the former subscribing to a net promoter score (0-10) system and the latter ascribing to a the more conventional Customer Satisfaction Score (0-100%). In addition, other engagement channels like emails, phone numbers (mobile or landline), social media, sms, were communicated to the customers should they have any concerns

Both scores are essential to monitor as negligence risks loss of customer trust and bad public reviews, which negatively impacts brand equity.

Management Approach to Identified Impacts and Risks

The Customer Care Department, guided by its policy on Handling Customer Feedbacks, endeavors to ensure that all feedbacks are addressed properly in consultation with the management. The aggregated feedback is then integrated into training and employee development plans. Guest experiences, in the form of reviews, are used as references in workshops to address and improve experience.

Also, regular reviews of policies and procedures are conducted periodically and these are amended as necessary.

Opportunities and Management Approach

Opportunities present themselves in two fronts. The first is in furthering customer personalization. The prominent consumer behavior of the rising generation is authenticity. This entails that it would be essential for both RAHC and ART to craft their brands and customer journeys towards a highly personal experience. Secondly, reinforcing the first, the opportunity to digitize will drive growth and improvement in marketing and core services with the implementation of digital solutions to strengthen RCI's position. Such programs could range from developing an omni-channel approach to adapting a cloud-based Customer Relationship Management platform

Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*	149	#
No. of complaints addressed	148	#

Impacts & Risk; Stakeholders Affected

As a business who provides tangible assets as a form of product and service delivery, RCI aims for its customers to have an enjoyable experience when availing its products and services.

When receiving customer complaints regarding health and safety, it is essential that these are handled properly due to the large impact on customer loyalty. Mishandling of complaints also pose reputational risk—dissatisfied customers may share their unfortunate experience with their networks, resulting in less patrons and repeat customers.

Management Approach to Identified Impacts and Risks

RCI upholds its products and services' safety of use in the highest regard. The Group established proper quality assurance protocols which seek to communicate its standards on health and safety from inbound logistics to product and service delivery. Furthermore, RCI ensures that its communication channels are open for complaints on products or services' health and safety. All filed complaints are coursed through the proper channel and delegated to their concerned departments.

Opportunities and Management Approach

Due to the COVID-19 pandemic, RCI anticipates that customers will now place an even higher regard for the cleanliness and safety of products and services. With this, the Company is exploring how to re-skill its employees in order to keep up with the higher standards brought by the pandemic. Moving forward, This also provides RCI an opportunity to update its health and safety management systems through third-party audits and certifications.

Marketing and labelling

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling	0	#
No. of complaints addressed	0	#

Impacts & Risk; Stakeholders Affected

The Group exposes itself to brand and reputational risk should there be proven misrepresentation on RCI's products and services. Mislabeled communication materials to RCI's customers may result in their disappointment when expectations on the brand are not met. Given the current digital age, there is ease also in spreading misinformation to people's networks. Hence, RCI shall be wary of all the advertisements and promotional materials that are being communicated to its customers.

Management Approach to Identified Impacts and Risks

It is RCI's due diligence to provide true and accurate information at all times. To support this, there are dedicated Marketing units who have been tasked to ensure that only correct marketing media will be used for the promotion of the projects only through authentic RCI channels. This is done through regular conducting of reviews on RCI's product and service portfolio.

Furthermore, relationship managers are tasked to be transparent to potential clients on the Group's products and services to avoid setting unsuitable expectations from them.

Opportunities and Management Approach

The Group considers all feedback as an opportunity for improvement. Should the need arise, the Group shall engage the services of marketing and product design consultants to boost its marketing and advertising strategies.

Customer privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy	10	#
No. of complaints addressed	10	#
No. of customers, users and account holders whose information is used for secondary purposes	0	#

Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	1	#

Impacts & Risk; Stakeholders Affected

As part of ensuring operational excellence to deliver customer delight, collection of Personal Identity Information (PII) is fundamental. RCI primarily collects PII values such as names, dates of birth, addresses, ID information, contact numbers, credit card numbers, corporate Tax Identification Number (TIN), personal food preferences for Food & Beverage (F&B) services, and other health-related information among others. The PII information allows the operations team to consider and assess customer needs and preferences to give a top-of-class experience and provide relevant services and products.

Through careful handling, RCI showcases its commitment to its shareholders and its vision of delivering superior business results for its customers and stakeholders. As seen in the disclosure above, RCI has kept the data-handling issues at a minimum with a mere 10 complaints, all coming from the hospitality arm. These complaints were addressed immediately in order to uphold the seamless experience of guests.

Management Approach to Identified Impacts and Risks

In consideration of the synergy between customer PII data and organizational proprietary data, the Corporation decided to protect privacy by storing data in a password encrypted property management system. The system is sourced from an external provider, where RCI has entered into a user data agreement with affiliates such as Review Pro, SABA, Global Payments, INFOR, and Rate Gain to build layers of protection.

Furthermore, RCI complies with the Data Privacy Act of 2012 by gathering the consent of customers at the point of data collection and augments their protection by having a social media and data handling agreement signed by employees which clearly stipulates the scope of what they can and cannot do with data that customers and guests entrusted RCI with. Moreover, cybersecurity measures comprising equipment and processes have been set in place to tighten security, some of which are dual firewalls for work tools and routers; network isolation for guests and employees; and cctv and telephone lines using VLAN. The company strictly implements policy on internet usage and other applications, to reduce risks and prevent breaches while providing the appropriate training of responsible usage.

Other noteworthy actions are as follows: (1) for credit card information handling, only the last 4 digits are kept visible in the system and the rest are masked to secure the data. (2) for proprietary information handling, most USB ports have been disengaged - especially at the Front Desk so as to keep any virus from being transferred and to protect the unauthorized sharing of confidential information, (3) Firewall licenses are being monitored regularly, (4) CCTV cameras are installed, and (5) internet access restrictions are found on most of the working tools of RCI employees.

Opportunities and Management Approach

As narrated in the Management Approach, RCI already holds a competent and comprehensive structure in data handling and management. Opportunities present themselves in the form of augmenting cybersecurity by the installation of firewalls and a data on-site/ cloud-based data servers for file and data protection; more data-related training across the employees of different subsidiaries on responsible use of work tools and the corporate network; and a regular process review to ensure modernization, reducing legacy systems, which are more prone to hacks and numerous malicious attempts.

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
All Subsidiaries - Human capital plays an integral role in delivering the RCI's key products and services. Thus, acquiring and retaining its talent pool goes hand in hand with the Group's ability to sustain and grow its businesses.	**SDG Contribution:** Goal 5 - Gender Equality The Group currently employs almost 50-50 male to female ratio for its workforce. RCI does not show discrimination against women and vulnerable groups in its hiring process as well as in the workplace. Goal 8 - Decent Work and Economic Growth The Group's ability to provide employment opportunities through its different business units contributes to local economic development. The Group currently employs 381 workers across its subsidiaries, providing decent work in the local regions where it operates.	Unequal pay and poor labor conditions; unheard employee grievances	Complaints are managed by the manager-in-charge and then to the HR. The HR Team then delegates the complaint to the right department to address the issue.
RSAI - Coconut-based products	**SDG Contribution:** Goal 2- Zero Hunger. Leveraging on its modern coconut processing technologies and the region's abundant supply of coconuts, RSAI was able to produce 775.22 tons of coconut-based products in 2019. These products provide nutritious, high-quality food options to the market.		

	Furthermore, RSAI’s business is involved in fair-trade agreements with local farmers, augmenting livelihoods in the process. Through these fair-trade agreements, local farmers are also provided access to training and technologies to help boost their productivity. Relevant SDG 2 Targets: *SDG 2.1* - By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round. *SDG 2.3* - By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment.		