COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

PW-15A

COMPANY NAME

ROXAS HOLDINGS, INC. AND SUBSIDIARIES

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

14th Floor, Net One Center,
26th cor. 3rd Avenue,
Bonifacio Global City, Taguig,
Metro Manila

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.roxasholdings. com	(02) 771-7800	–

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
2,104	February 18	September 30

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ma. Hazel L. Rabara-Retardo	hazel.rabara@rhi.com.ph	(02) 810-8901	–

CONTACT PERSON's ADDRESS

14th Floor, Net One Center, 26th cor. 3rd Avenue, Bonifacio Global City, Taguig, Metro Manila

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.

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SGV
Building a better working world

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BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Roxas Holdings, Inc.
14th Floor, Net One Center
26th cor. 3rd Avenue, Bonifacio Global City
Taguig, Metro Manila

Opinion

We have audited the consolidated financial statements of Roxas Holdings, Inc. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at September 30, 2017, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year 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 September 30, 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audit 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.

Other Matter

The consolidated financial statements of the Group as at September 30, 2016 and for the years ended September 30, 2016 and 2015, were audited by another auditor who expressed an unmodified opinion on those statements on December 1, 2016.

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.

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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.

Accounting for Completeness of Quedan

The Group's raw sugar business follows the quedan system, which is unique to the Philippine sugar industry. A quedan is a negotiable instrument which shows ownership of a specified amount of raw sugar in a warehouse or sugar central. It is a negotiable instrument in the sugar industry. Accordingly, the Group's physical possession or delivery of raw sugar may not necessarily indicate ownership, or sales or purchase transaction, respectively. We considered accounting for quedan as a key audit matter due to the volume of the transactions covered by this unique system, which impacts sales and inventory which are material and significant to the consolidated financial statements.

The disclosures about quedan accounting are included in Notes 9 and 28 to the consolidated financial statements.

Audit Response

With the involvement of our internal specialist, we obtained an understanding of the Group's quedanning system and tested the relevant controls on the information system and manual processes. We observed the inventory count procedures of the Group 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 Group's inventory and those which are held in trust for the planters and traders.

Impairment Testing of Goodwill

Under PFRSs, the Group is required to test the goodwill annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. As at September 30, 2017, the Group's goodwill that is attributable to its investment in San Carlos Bioenergy, Inc., the cash generating unit (CGU), amounted to ₱1.08 billion, which is considered significant to the consolidated financial statements. In addition, management's assessment process requires estimation of value-in-use based on the expected future cash flows of the CGU. Such process involves significant management judgment about future market conditions and estimation based on assumptions, such as forecasted bioethanol price, forecasted sales volume, expected gross profit, operating expenses and discount rate.

The disclosures about goodwill are included in Notes 5 and 6 to the consolidated financial statements.

Audit Response

We involved our internal specialist in evaluating the methodology and the discount rate used. We evaluated management's key assumptions used in preparing the cash flow forecast such as forecasted bioethanol price, forecasted sales volume, and expected gross profit by comparing them against the CGU's historical performance and current industry outlook.

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We obtained and evaluated management's sensitivity analyses to ascertain the impact of reasonably possible changes in key assumptions and we performed our own independent sensitivity calculations to quantify the downside changes to management's models required to result in impairment. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of goodwill.

Valuation of Land Stated at Fair Value

The Group carries its parcels of land, which are accounted for as property, plant and equipment at revaluation method and investment properties at fair value method in its consolidated financial statements as of reporting date. As of September 30, 2017, the carrying value of land amounted to ₱5.09 billion, representing 20% of the Group's consolidated assets. Management obtains the services of external appraisers to determine the land values whose calculations involve certain assumptions such as sales prices of similar properties and adjustments to sales price based on internal and external factors. In addition, this requires significant management judgment and estimates. Thus, we considered this as key audit matter.

The disclosures relating to these parcels of land are included in Notes 12 and 13 to the consolidated financial statements.

Audit Response

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

Assessment of Contingent Liabilities and Estimation of Provisions from Claims

The Group is involved in certain claims by regulatory bodies and other parties. The inherent uncertainty over the outcome of these claims is brought about by the difference in the interpretations and implementation of the relevant regulations. The assessment of whether the provision should be recognized and the estimation of the potential liability resulting from these assessments require significant judgment by management. As of September 30, 2017, total provisions recognized by the Group amounted to ₱96.6 million.

The disclosures on management judgment on assessment of contingent liabilities and estimation of provisions and amounts recognized are included in Notes 5, 16 and 28, respectively, to the consolidated financial statements.

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Audit Response

We inquired of the Group's legal counsels and management about the status and potential exposures of the significant claims and obtained representation from the Group management. 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 the estimation of such amount.

Accounting for investment in Hawaiian-Philippine Company (HP Co.)

The Company has a 45% investment in HP Co., an associate, with carrying value of ₱607 million as of September 30, 2017. The investment is accounted for using the equity method. We consider the accounting for this investment as a key audit matter because it contributed ₱68 million to the consolidated net income. HP Co. also operates in the sugar industry business; thus is subject to the same risks as the Group.

The disclosures on the investment in HP Co., are included in Note 11 to the consolidated financial statements.

Audit Response

We sent instructions to the statutory auditors of HP Co. to perform an audit on the relevant financial information of HP Co. for the purpose of the Group's consolidated financial statements. The instructions contained a discussion on their scope of work, risk assessment procedures, audit strategy and reporting requirements. We performed procedures to assess HP Co. statutory auditors' competence. We discussed with HP Co. statutory auditors about their key audit areas, planning and execution of audit procedures, significant areas of estimation and judgment, and results of their work for the year ended September 30, 2017. We reviewed the working papers of the statutory auditor of HP Co., focusing on the procedures performed on quedan accounting. We also obtained the financial information of HP Co. as of and for the year ended September 30, 2017 and recomputed the Group's share in net income for the year ended September 30, 2017.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended September 30, 2017, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended September 30, 2017 are expected to be made available to us after the date of this auditor's report.

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 audit 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 audit, or otherwise appears to be materially misstated.

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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.

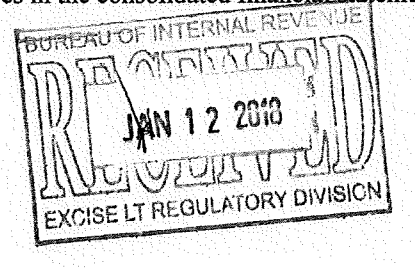
As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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.

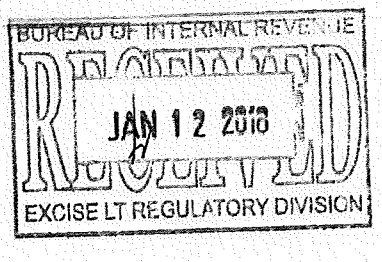
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law 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 Aileen L. Saringan.

SYCIP GORRES VELAYO & CO.

Aileen L. Saringan
Partner
CPA Certificate No. 72557
SEC Accreditation No. 0096-AR-4 (Group A),
August 18, 2016, valid until August 18, 2019
Tax Identification No. 102-089-397
BIR Accreditation No. 08-001998-58-2015
February 27, 2015, valid until February 26, 2018
PTR No. 5908758, January 3, 2017, Makati City

December 6, 2017



ROXAS HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2017
(WITH COMPARATIVE FIGURES AS AT SEPTEMBER 30, 2016)
(Amounts in Thousands)

	Note	September 30 2017	2016
ASSETS			
Current Assets			
Cash and cash equivalents	7	₱571,377	₱704,522
Trade and other receivables	8	2,258,083	1,331,026
Inventories	9	2,539,526	1,601,818
Other current assets	10	829,203	846,985
Total Current Assets		6,198,189	4,484,351
Noncurrent Assets			
Investment in an associate	11	606,768	648,868
Property, plant and equipment:	12		
At cost		10,303,421	10,331,821
At revalued amount		4,746,047	4,379,780
Investment properties	13	349,267	320,812
Goodwill	6	1,079,615	1,079,615
Retirement assets - net	17	62,129	106,835
Deferred tax assets	26	270,839	253,037
Other noncurrent assets	10	279,898	52,905
Total Noncurrent Assets		17,697,984	17,173,673
		₱23,896,173	₱21,658,024
LIABILITIES AND EQUITY			
Current Liabilities			
Short-term borrowings	14	₱4,608,359	₱2,914,339
Current portion of long-term borrowings	15	1,234,803	379,954
Trade and other payables	16	1,188,567	1,071,901
Income tax payable		1,605	1,751
Total Current Liabilities		7,033,334	4,367,945
Noncurrent Liabilities			
Long-term borrowings - net of current portion	15	4,820,532	6,055,566
Retirement liabilities – net	17	316,758	327,952
Deferred tax liabilities	26	1,180,141	1,131,642
Other noncurrent liabilities	6	1,300	1,300
Total Noncurrent Liabilities		6,318,731	7,516,460
Total Liabilities		13,352,065	11,884,405

(Forward)

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	Note	September 30 2017	2016
Equity Attributable to the Equity Holders of the Parent Company			
Capital stock	18	**₱1,564,599**	₱1,439,442
Additional paid-in capital		**2,826,554**	2,425,550
Treasury stock	18	**(52,290)**	(52,290)
Other equity items and reserves	18	**3,419,147**	3,281,436
Retained earnings		**2,733,738**	2,613,961
		10,491,748	9,708,099
Non-controlling Interests		**52,360**	65,520
Total Equity		**10,544,108**	9,773,619
		₱23,896,173	₱21,658,024

See accompanying Notes to Consolidated Financial Statements.

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ROXAS HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(WITH COMPARATIVE FIGURES FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015)
(Amounts in Thousands, except Basic and Diluted Earnings per Share)

	Note	Years Ended September 30		
		2017	2016	2015
REVENUE	21			
Sale of goods		**₱10,666,777**	₱11,764,540	₱7,815,439
Sale of services		**280,756**	285,694	392,957
		10,947,533	12,050,234	8,208,396
COST OF SALES	22	**(9,490,646)**	(10,976,738)	(7,164,185)
GROSS INCOME		**1,456,887**	1,073,496	1,044,211
GENERAL AND ADMINISTRATIVE EXPENSES	23	**(1,007,948)**	(896,199)	(1,000,955)
SELLING EXPENSES	23	**(57,858)**	(69,440)	(62,983)
INTEREST EXPENSE	14, 15	**(444,257)**	(382,770)	(271,355)
SHARE IN NET EARNINGS OF AN ASSOCIATE	11	**67,777**	212,258	134,424
OTHER INCOME	25	**93,795**	89,505	84,360
INCOME (LOSS) BEFORE INCOME TAX		**108,396**	26,850	(72,298)
INCOME TAX BENEFIT (EXPENSE)	26			
Current		**(34,775)**	(23,051)	(82,068)
Deferred		**46,419**	97,792	172,919
		11,644	74,741	90,851
NET INCOME		**₱120,040**	₱101,591	₱18,553
NET INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent Company		**₱119,777**	₱101,244	₱10,832
Non-controlling interests		**263**	347	7,721
		₱120,040	₱101,591	₱18,553
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	27			
Basic		**₱0.08**	₱0.07	₱0.01
Diluted		**0.08**	0.07	0.01

See accompanying Notes to Consolidated Financial Statements.

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ROXAS HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(WITH COMPARATIVE FIGURES FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015)
(Amounts in Thousands)

		Years Ended September 30		
	Note	2017	2016	2015
NET INCOME		**₱120,040**	₱101,591	₱18,553
OTHER COMPREHENSIVE INCOME (LOSS)	18			
Items not to be reclassified to profit or loss				
Appraisal increase on land, net of tax	12	**116,561**	181,462	–
Remeasurement gain (loss) on retirement assets and liabilities, net of tax	17	**22,876**	(41,814)	(17,277)
Share in remeasurement gain (loss) on retirement liability of an associate, net of tax	11	**39**	(3,030)	–
TOTAL COMPREHENSIVE INCOME		**₱259,516**	₱238,209	₱1,276
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Equity holders of the Parent Company		**₱257,488**	₱237,658	(₱6,445)
Non-controlling interests		**2,028**	551	7,721
		₱259,516	₱238,209	₱1,276

See accompanying Notes to Consolidated Financial Statements.

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ROXAS HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED SEPTEMBER 30, 2017

(WITH COMPARATIVE FIGURES FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015)

(Amounts in Thousands)

		Equity Attributable to the Equity Holders of the Parent Company							
	Note	Capital Stock (Note 18)	Additional Paid-in Capital	Treasury Stock (Note 18)	Other Equity Items and Reserves (Note 18)	Retained Earnings	Total	Non-controlling Interests	Total Equity
Balances as at September 30, 2016		**₱1,439,442**	**₱2,425,550**	**(₱52,290)**	**₱3,281,436**	**₱2,613,961**	**₱9,708,099**	**₱65,520**	**₱9,773,619**
Net income		–	–	–	–	119,777	119,777	263	120,040
Appraisal increase on land, net of tax	18	–	–	–	114,842	–	114,842	1,719	116,561
Remeasurement gain on retirement assets and liabilities, net of tax	17	–	–	–	22,830	–	22,830	46	22,876
Share in remeasurement gain on retirement liability of an associate, net of tax	11	–	–	–	39	–	39	–	39
Total comprehensive income		–	–	–	137,711	119,777	257,488	2,028	259,516
Issuances of shares from conversion of debt securities	18	125,000	398,750	–	–	–	523,750	–	523,750
Acquisition of non-controlling interest		–	–	–	–	–	–	(15,188)	(15,188)
Employee stock option	20	–	2,020	–	–	–	2,020	–	2,020
Exercise of employee stock option	20	157	234	–	–	–	391	–	391
Balances as at September 30, 2017		**₱1,564,599**	**₱2,826,554**	**(₱52,290)**	**₱3,419,147**	**₱2,733,738**	**₱10,491,748**	**₱52,360**	**₱10,544,108**
Balances as at September 30, 2015		₱1,169,289	₱1,573,993	(₱52,290)	₱3,145,022	₱2,515,315	₱8,351,329	₱81,371	₱8,432,700
Net income		–	–	–	–	101,244	101,244	347	101,591
Appraisal increase on land, net of tax	18	–	–	–	181,462	–	181,462	–	181,462
Remeasurement gain (loss) on retirement assets and liabilities, net of tax	17	–	–	–	(42,018)	–	(42,018)	204	(41,814)
Share in remeasurement loss on retirement liability of an associate, net of tax	11	–	–	–	(3,030)	–	(3,030)	–	(3,030)
Total comprehensive income		–	–	–	136,414	101,244	237,658	551	238,209
Issuances of shares from stock rights offering, net of transaction costs	18	266,754	846,544	–	–	–	1,113,298	–	1,113,298
Acquisition of non-controlling interest	4	–	–	–	–	(2,598)	(2,598)	(16,402)	(19,000)
Exercise of employee stock option	20	3,399	3,573	–	–	–	6,972	–	6,972
Employee stock option	20	–	1,440	–	–	–	1,440	–	1,440
Balances as at September 30, 2016		**₱1,439,442**	**₱2,425,550**	**(₱52,290)**	**₱3,281,436**	**₱2,613,961**	**₱9,708,099**	**₱65,520**	**₱9,773,619**
Balances as at September 30, 2014		₱1,168,976	₱574,913	(₱768,860)	₱3,162,299	₱2,751,827	₱6,889,155	₱38,696	₱6,927,851
Net income		–	–	–	–	10,832	10,832	7,721	18,553
Remeasurement loss on retirement assets and liabilities, net of tax	18	–	–	–	(17,277)	–	(17,277)	–	(17,277)
Total comprehensive income		–	–	–	(17,277)	10,832	(6,445)	7,721	1,276
Issuances of treasury stock, net of transaction costs	18	–	963,561	716,570	–	–	1,680,131	–	1,680,131
Cash dividends	18	–	–	–	–	(247,344)	(247,344)	–	(247,344)
Acquisition of non-controlling interest	18	–	–	–	–	–	–	34,954	34,954
Employee stock option	20	–	35,053	–	–	–	35,053	–	35,053
Exercise of employee stock option	20	313	466	–	–	–	779	–	779
Balances as at September 30, 2015		₱1,169,289	₱1,573,993	(₱52,290)	₱3,145,022	₱2,515,315	₱8,351,329	₱81,371	₱8,432,700

See accompanying Notes to Consolidated Financial Statements.

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ROXAS HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

(WITH COMPARATIVE FIGURES FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015)

(Amounts in Thousands)

		Years Ended September 30		
	Note	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax		**₱108,396**	₱26,850	(₱72,298)
Adjustments for:				
Depreciation and amortization	12	**950,839**	927,513	797,235
Interest expense	15	**444,257**	382,770	271,355
Share in net earnings of an associate	11	**(67,777)**	(212,258)	(134,424)
Retirement benefits	17	**65,951**	48,733	44,861
Unrealized gain on fair value adjustment on investment properties	13	**(13,406)**	(27,529)	–
Interest income	25	**(3,384)**	(3,401)	(2,558)
Employee stock option	20	**2,020**	1,440	35,053
Net unrealized foreign exchange losses (gains)	25	**(187)**	(389)	183
Gain from disposal of property, plant and equipment		**(18)**	(2,481)	–
Operating income before changes in working capital		**1,486,691**	1,141,248	939,407
Decrease (increase) in:				
Trade and other receivables		**(1,029,549)**	91,247	18,701
Inventories		**(937,709)**	(100,992)	(803,885)
Other current assets		**(230,042)**	(243,284)	(72,573)
Increase (decrease) in trade and other payables		**118,185**	(858,193)	472,932
Net cash generated from (used in) operations		**(592,424)**	30,026	554,582
Income taxes paid, including final taxes		**(34,921)**	(36,771)	(123,240)
Interest received		**3,385**	3,401	2,558
Retirement benefits paid	17	**(193)**	(3,251)	(2,085)
Net cash flows provided by (used in) operating activities		**(624,153)**	(6,595)	431,815
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Property, plant and equipment	12	**(1,140,984)**	(911,749)	(1,112,456)
Investment properties	13	**–**	(83)	(3,500)
Proceeds from:				
Dividends received	11	**212,408**	132,468	86,505
Disposal of property and equipment		**9,448**	7,068	36,267
Increase (decrease) in other noncurrent assets		**17,752**	(38,515)	(3,672)
Acquisition of:				
Non-controlling interest	4	**(15,188)**	(19,000)	–
Subsidiaries, net of cash absorbed	6	**–**	–	(1,673,376)
Net cash flows used in investing activities		**(916,564)**	(829,811)	(2,670,232)

(Forward)

	Note	Years Ended September 30 2017	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES				
Net availments of short-term borrowings		**₱1,694,020**	₱1,045,738	₱2,549,501
Payments of:				
Long-term borrowings	15	**(380,185)**	(1,364,691)	(1,351,132)
Interest		**(430,591)**	(383,193)	(296,952)
Dividends		**–**	–	(247,344)
Proceeds from:				
Convertible debt securities		**523,750**	–	–
Exercise of stock option	20	**391**	6,972	779
Issuances of common shares from stock rights offering, net of transaction costs	18	**–**	1,113,298	–
Availments of long-term borrowings	15	**–**	920,000	–
Issuances of treasury shares, net of transaction costs	18	**–**	–	1,680,131
Net cash flows provided by financing activities		**1,407,385**	1,338,124	2,334,983
NET INCREASE (DECREASE) IN CASH		**(133,332)**	501,718	96,566
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH		**187**	389	(183)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**704,522**	202,415	106,032
CASH AND CASH EQUIVALENTS AT END OF YEAR	7	**₱571,377**	₱704,522	₱202,415

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

Roxas Holdings, Inc. (RHI or the Parent Company), doing business under the name and style of CADP Group, was organized in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on October 30, 1930 for the purpose of operating mill and refinery facilities to manufacture sugar and allied products. The corporate life of the Parent Company was extended on May 6, 2016 for another 50 years until November 1, 2030.

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

As at September 30, 2015, the Parent Company is 31% owned by Roxas and Company, Inc. (RCI), a publicly listed company incorporated and domiciled in the Philippines. The remaining interest amounting to 27% and 24% of the total shares are owned by FP Natural Resources Holdings B.V. (FPNRH), a Hong Kong based company and First Agri Holdings Corporation (FAHC), a Philippine affiliate of FPNRH, respectively. FPNRH and FAHC are both subsidiaries of First Pacific Company, Ltd. (First Pacific).

The Parent Company completed its stock rights offering in May 2016 for 266,753,974 outstanding common shares of RHI, with par value of ₱1.00 a share, on a pre-emptive basis to holders of common shares of the capital stock of RHI as at May 4, 2016 (the "Record Date") at an offer price of ₱4.19 per Rights Share (the "Offer Price") (see Note 18). As a result the equity interest of FAHC in RHI increased from 24% to 33% while the equity interest of RCI decreased from 31% to 22%.

On February 1, 2017, the Board of Directors (BOD) approved the issuance of convertible debt securities amounting to ₱523,750,000 to FPNRH, convertible to 125,000,000 million common shares of RHI at the option of the holder and bears annual interest at 3%.

On February 15, 2017, the shareholders approved the amendment of the Parent Company's articles of incorporation to increase the authorized capital stock from 1,500,000,000 to 2,000,000,000 divided into 2,000,000,000 with par value of ₱1.00 per share. On the same day, the shareholders approved the subsequent application of the convertible note as subscription to 125,000,000 common shares arising from the increase in authorized capital stock at a conversion rate of ₱4.19 for every common share.

On July 14, 2017, the SEC approved the Parent Company's application for increase in authorized capital stock using the convertible debt securities as payment for subscription. Accordingly, FPNRH interest on the Parent Company increased from 27% to 32%. As of September 30, 2017, the ultimate parent company of RHI is First Pacific.

The corporate office of the Parent Company is located at the 14th Floor, Net One Center, 26th cor. 3rd Avenue, Bonifacio Global City, Taguig, Metro Manila while the manufacturing plants of its operating subsidiaries are in Barrio Lumbangan, Nasugbu, Batangas, Barrio Consuelo, La Carlota City, Negros Occidental and San Carlos Ecozone, San Carlos City, Negros Occidental.

Approval of the Consolidated Financial Statements

The consolidated financial statements of RHI and subsidiaries, collectively referred to herein as "the Group", as at September 30, 2017 and 2016 and for each of the three years in the period ended September 30, 2017, as reviewed and recommended for approval by the Group's Audit and Risk Committee on December 4, 2017, were approved and authorized for issue by the Parent Company's BOD on December 6, 2017.

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 retirement assets, land under property, plant and equipment which is measured at revalued method and investment properties that are measured at fair value. The consolidated financial statements have been presented in Philippine Peso, which is the functional currency of the Parent Company and its subsidiaries. All amounts are rounded to the nearest thousands, except for number of shares and unless otherwise indicated.

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

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

3. Summary of Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amendments and improvements to standards effective October 1, 2016:

- Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 28, *Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception*, clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value. They also clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture) to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries when applying the equity method. The Group continues to measure its investments in associate through equity method.

- Amendments to PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements*, allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. These amendments do not have any impact on the Group's consolidated financial statements.

- Amendments to PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*, require a joint operator that is accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business (as defined by PFRS 3), to apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. These amendments did not have any impact to the Group's consolidated financial statements.

- PFRS 14, *Regulatory Deferral Accounts*, allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of income and other comprehensive income (OCI). The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. Since the Group is an existing PFRS preparer, this standard did not apply.

- PAS 1, *Presentation of Financial Statements - Disclosure Initiative* (Amendments), intend to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS. They clarify the following:

  - That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions.
  - That specific line items in the statement of income and other comprehensive income and the statement of financial position may be disaggregated.
  - That entities have flexibility as to the order in which they present the notes to financial statements.
  - That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

  These amendments did not have significant impact on the Group's consolidated financial statements.

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments), clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. These amendments did not have a significant impact on the Group's consolidated financial statements.

- PAS 16 and PAS 41, *Agriculture: Bearer Plants*, change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, applies. The amendments are applied retrospectively and did not have significant impact on the Group's consolidated financial statements.

- Annual Improvements to PFRS (2012 to 2014 cycle)
  The Annual Improvements to PFRS (2012 to 2014 cycle) did not have a material impact on the Group's consolidated financial statements.

New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to September 30, 2017

The standards, interpretations, amendments and improvements to the standards that are issued, but not yet effective, up to date of issuance of the consolidated financial statements are disclosed below.

The Group intends to adopt these, if applicable, when these become effective. Unless otherwise specified, these will not have an impact on the Group's consolidated financial statements.

Effective January 1, 2017

- Amendment to PFRS 12, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRS:* 2014 - 2016 Cycle)

  The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*

  The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

Application of amendments will result in additional disclosures in the 2018 consolidated financial statements of the Group.

- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

  Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted. This amendment did not have significant impact on the Group's consolidated financial statements.

Effective January 1, 2018

- PFRS 15, *Revenue from Contracts with Customers*, establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. The Group did not early adopt PFRS 15. The Group is currently assessing the impact of adopting PFRS 15.

- PFRS 9, *Financial Instruments* (2014 or final version), reflects all phases of the financial instruments project and replaces PAS 39 and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015. The Group did not early adopt PFRS 9. The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The Group is currently assessing the impact of adopting PFRS 9.

- PAS 40, *Investment Property, Transfers of Investment Property*, clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes

in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight. The Group did not early adopt PAS 40. The adoption of PAS 40 is not expected to have any significant impact on the Group's consolidated financial statements.

- Amendments to PFRS 2, *Share-based Payment - Classification and Measurement of Share-based Payment Transactions*, address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted. The adoption of this amendment is not expected to have any significant impact on the Group's consolidated financial statements.

- Amendments to PFRS 4, *Insurance Contracts - Applying PFRS 9, Financial Instruments, with PFRS 4*, address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

  The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9. The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRS* 2014 - 2016 Cycle), clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

- Philippine Interpretation based on International Financial Reporting Interpretations Committee (IFRIC) 22, *Foreign Currency Transactions and Advance Consideration*, clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a nonmonetary asset or nonmonetary liability arising from advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or nonmonetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The adoption of this amendment is not expected to have any significant impact on the Group's consolidated financial statements.

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*, replaces PAS 17, *Leases*, the current leases standard, and the related Interpretations. Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their statements of financial position, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their statement of comprehensive income. Leases with a term of twelve months or less or for which the underlying asset is of low value are exempted from these requirements.

  The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

  Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or modified retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the impact of PFRS 16 and plans to adopt the new standard on the required effective date once adopted locally.

4. Summary of Significant Accounting and Financial Reporting Policies

Basis of Consolidation

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

Presented in the next page is the list of the subsidiaries.

	Percentage of Ownership				
	2017	2016	2015	Nature of Business	Principal Place of Business
Central Azucarera Don Pedro, Inc. (CADPI)	100.00%	100.00%	100.00%	Production and selling of raw and refined sugar, molasses and related products	Taguig City and Nasugbu, Batangas
Central Azucarera de la Carlota, Inc. (CACI)	100.00%	100.00%	100.00%	Production and selling of raw sugar and molasses	Taguig City and Negros Occidental
CADP Insurance Agency, Inc. (CIAI)	100.00%	100.00%	100.00%	Insurance agency	Makati City
Roxol Bioenergy Corp. (RBC) [1]	100.00%	100.00%	100.00%	Production and selling of bioethanol fuel and trading of goods such as sugar and related products	Negros Occidental
CADP Port Services, Inc. (CPSI)	100.00%	100.00%	100.00%	Providing ancillary services	Makati City
RHI Agri-Business Development Corporation (RABDC) [2]	100.00%	100.00%	100.00%	Agricultural business	Makati City
Roxas Pacific Bioenergy Corporation (RPBC)	100.00%	100.00%	100.00%	Holding company for bioethanol investments	Negros Occidental
RHI Pacific Commercial Corp. (RHIPCC) [2]	100.00%	100.00%	100.00%	Selling arm of products of RHI Group	Makati City
San Carlos Bioenergy, Inc. (SCBI) [3]	93.35%	93.35%	93.35%	Production and selling of bioethanol fuel	Negros Occidental
Najalin Agri Ventures, Inc. (NAVI)	95.82%	86.91%	77.27%	Agricultural and industrial development	Negros Occidental
Roxas Power Corporation (RPC)	50.00%	50.00%	50.00%	Sale of electricity	Nasugbu, Batangas
Northeastern Port Storage Corporation (NPSC) [4]	100.00%	–	–	Owning the depot and storage facilities used by SCBI	Negros Occidental

[1] *Direct ownership of 20.53% and indirect ownership through CADPI of 79.47%*
[2] *As at September 30, 2017, RHIPCC has not yet started commercial operations*
[3] *Acquired in April 2015 through RPBC (see Note 6)*
[4] *Indirect ownership through RPBC (see Note 6)*

In March 2016, NAVI reacquired 63,248 common shares from the non-controlling shareholders for a total consideration of ₱19.0 million effectively reducing the non-controlling interest by ₱16.4 million, which represents 9.64% decrease in ownership of non-controlling shareholders in NAVI. Consequently, equity interest of the Parent Company in NAVI increased to 86.91%. The excess of the fair value of the consideration paid over the amount by which the non-controlling interest is reduced amounting to ₱2.6 million was recognized directly in equity attributable to the equity holders of the Parent Company.

In November 2016, NAVI reacquired 55,696 shares from non-controlling shareholders for a total consideration of ₱13.6 million. As at September 30, 2017, there are only 22,656 remaining shares from the non-controlling shareholders which represent 4.18% of the total shares.

On February 1, 2012, the BOD of RHI approved a resolution to shorten the corporate life of CPSI, CIAI and RPC effective September 30, 2012. On the same date, the BOD also approved the merger of CCSI, CFSI and JOMSI, which are non-operating subsidiaries and collectively referred to as "Absorbed Companies", with CADPI. This decision was in line with the Group's move to rationalize its operations. On April 14, 2014, the SEC issued the Certificate of Filing of Articles and Plan of Merger approving the merger of CCSI, CFSI and JOMSI with CADPI, as the surviving entity. In 2015, management changed its intention and decided to continue the corporate existence of RPC and requested the cancellation of the application for its business closure from the Bureau of Internal Revenue. As at September 30, 2017, the applications for the business closure of CPSI and CIAI are still pending approval from the pertinent government agencies.

The Parent Company has control over RPC because it has the power to cast the majority of votes through its representatives in the BOD, has rights to variable returns from RPC and has the ability to affect those returns.

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

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company. The Group is using uniform accounting policies for like transactions and other events in similar circumstances. All significant intercompany balances and transactions including inter-group unrealized profits and losses, are eliminated in preparing the consolidated financial statements.

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

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

Any excess or deficit of consideration paid over the carrying amount of the non-controlling interests is recognized in equity of the Group in transactions where the non-controlling interests are acquired or sold without loss of control. This is recognized as part of "Other equity items". If the Group loses control over a subsidiary, it: (a) derecognizes the assets (including goodwill) and liabilities of the subsidiary; (b) derecognizes the carrying amount of any non-controlling interests; (c) derecognizes the cumulative translation differences recorded in equity; (d) recognizes the fair value of the consideration received; (e) recognizes the fair value of any investment retained; (f) recognizes any surplus or deficit in profit or loss; (g) reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Non-controlling interests represent the portion of profit or loss and net assets of NAVI, RPC and SCBI not held by the Group, directly or indirectly, and are presented separately in the consolidated statement of comprehensive income and within the equity section of the consolidated statement of financial position and consolidated statement of changes in equity, separately from the Parent Company's equity. Total comprehensive income is attributed to the portion held by the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit.

Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at fair value on acquisition date and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree at its proportionate share in the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed and included in general and administrative expenses. The excess of the cost of acquisition over the fair value of the Parent Company's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Parent Company's share of the net assets of the subsidiary acquired, the difference is recognized directly in profit or loss.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured. Subsequent settlement is accounted for within equity. In instance where the contingent consideration does not fall within the scope of PAS 39, it is measured in accordance with the appropriate PFRS.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss. If the initial accounting for business combination can be determined only provisionally by the end of the year by which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the Group accounts the combination using provisional values. Adjustments to these provisional values as a result of completing the initial accounting should be made within 12 months from the acquisition date. The carrying amount of an identifiable asset, liability or contingent liability that is recognized as a result of completing the initial accounting should be calculated as if its fair value at the acquisition date had been recognized from that date and goodwill or any gain recognized should be adjusted from the acquisition date by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Common Control Transactions. Where there are business combinations in which all the combining entities within the Group are ultimately controlled by the same ultimate parent before and after the business combination and that the control is not transitory ("business combinations under common control"), the Group accounts such business combinations under the acquisition method of accounting, if the transaction was deemed to have substance from the perspective of the reporting entity. In determining whether the business combination has substance, factors such as the underlying purpose of the business combination and the involvement of parties other than the combining entities such as the non-controlling interest, are being considered.

In cases where the business combination has no substance, the Parent Company accounts for the transaction similar to a pooling of interests. The assets and liabilities of the acquired entities and that of the Group are reflected at their carrying amounts. The difference in the amount recognized and the fair value of the consideration given, is accounted for as an equity transaction (i.e., as either a contribution or distribution of equity). Further, when a subsidiary is transferred in a common control transaction, the difference in the amount recognized and the fair value of consideration received, is also accounted for as an equity transaction.

Cash and cash equivalents

Cash includes cash on hand and in banks that earn interest at the respective bank deposit rates. 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 the date of acquisition and are subject to an insignificant risk of changes in value.

Financial Instruments

Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of financial assets are recognized on the trade date, i.e., the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of the assets within the period generally established by regulation or convention in the market place.

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value of the consideration given (in the case of an asset) or received (in the case of a liability). Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments measured at fair value through profit or loss (FVPL). Fair value is determined by reference to the transaction price or other market prices. If such market prices are not readily determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rate of interest for similar instruments with similar maturities.

Day 1 Difference. Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data observable from the market, the Group recognizes the difference between the transaction price and fair value (a day 1 difference) in profit or loss unless it qualifies for recognition as some other type of asset. For each transaction, the Group determines the appropriate method of recognizing a day 1 difference amount.

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

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

assets and liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

The Group does not have financial instruments classified as financial assets or liabilities at FVPL, HTM investments and AFS financial assets as at September 30, 2017 and 2016.

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

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

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

Classified as loans and receivables are cash in banks, trade and other receivables, except for advances to planters, as at September 30, 2017 and 2016 (see Notes 7, 8 and 19). Trade receivables with average credit terms of 15 to 90 days are recognized and carried at original invoice amount less any allowance for impairment losses.

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

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

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

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

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

This category includes trade and other payables (excluding statutory liabilities and provision for probable losses) and short-term and long-term borrowings as at September 30, 2017 and 2016 (see Notes 14, 15, 16 and 19).

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

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

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

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

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

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Group could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in profit or loss.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received.

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

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

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

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

Offsetting Financial Instruments. Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right 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 counter parties.

Fair Value Measurement

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

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

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

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

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

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

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

Further information about the assumptions made in measuring fair value is included in the following notes to the consolidated financial statements:

- Note 5, "Significant Judgments, Accounting Estimates and Assumptions - Determining the Revaluation Value of Land and Determining the Fair Value of Investment Properties"
- Note 12, "Property, Plant and Equipment"
- Note 13, "Investment Properties"
- Note 30, "Fair Value Measurement"

Inventories

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

Raw and Refined Sugar, Molasses and Alcohol. Cost is determined using the weighted average method. Production cost is allocated using the NRV of each of the joint products (i.e., raw sugar, refined sugar and molasses). The cost of alcohol includes direct materials and labor and a proportion of manufacturing overhead costs with unit cost determined using the moving average method. NRV is the estimated selling price in the ordinary course of business, less the estimated costs to complete the production and the estimated costs necessary to make the sale.

Materials and Supplies. Cost is determined using the moving average method. NRV is the current replacement cost.

Provision for inventory losses and obsolescence is provided for slow moving, obsolete, defective and damaged inventories based on physical inspection and management assessment.

Other Current Assets

This account consists of creditable withholding taxes (CWT), input value-added tax (VAT) and prepayments.

CWT. CWT represents the amount withheld by the Group's customers in relation to its income. CWT can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation.

VAT. Revenue, expenses, assets and liabilities are recognized net of the amount of VAT, except where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable. Receivables and payables are stated with the amount of VAT included. For sale or purchase of services, related VAT is deferred until the related receivable or payable from the transaction has been collected or paid.

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

Prepayments. Prepayments are expenses paid in advance and recorded as asset before these are utilized. Prepayments are apportioned over the period covered by the payment and charged to appropriate expense accounts in profit or loss when incurred. Prepayments that are expected to be realized for no more than 12 months after the financial reporting year are classified as current assets. Otherwise, these are classified as noncurrent assets.

Investment in an Associate

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

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

The share of its associate's post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in reserves is recognized in equity. The Parent Company's share in net appraisal increase resulting from the revaluation of land of an associate is presented as "Share in revaluation increment on land of an associate," net of related deferred tax, in the consolidated statement of changes in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

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

Property, Plant and Equipment

Property, plant and equipment are carried at historical cost less accumulated depreciation, amortization and any impairment in value, except for land, which is stated at revalued amount.

The initial cost of property, plant and equipment comprises its purchase price, including import duties and nonrefundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost also includes the cost of replacing part of

such asset when the recognition criteria are met, and the estimated present value of the cost of dismantling and removing the asset and restoring the site. Borrowing costs incurred during the construction of a qualifying asset is likewise included in the initial cost of property, plant and equipment.

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 pertains to properties under construction and are stated at cost. Cost includes costs of construction, labor, borrowings and other direct costs. Construction in progress is depreciated only from such time as the relevant assets are completed and put into operational use. Construction in progress are reclassified to the appropriate fixed asset category upon completion.

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

The portion of revaluation increment on land, net of related deferred tax, realized upon disposal of the property is transferred to retained earnings.

Depreciation and amortization are calculated using the straight-line method to allocate the cost over the estimated useful lives, as follows:

Asset Category	Number of Years
Buildings and building improvements	25
Land improvements	10
Machinery and equipment:	
Factory machinery and installations	17 to 25
Safety equipment	5
Office furniture, fixtures and equipment	3 to 5
Depot and storage facilities	15
Transportation equipment	3 to 6

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

Major repairs and maintenance that qualified for capitalization are depreciated and amortized over the remaining useful life of the related asset.

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

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

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and accumulated depreciation, 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.

Software Cost

Software cost, which is presented as part of "Other noncurrent assets," is initially measured at cost. Following initial recognition, software cost is carried at cost less accumulated amortization and any impairment losses. The software cost is amortized on a straight-line basis over its estimated economic useful life of three years and assessed for impairment whenever there is an indication that the software cost may be impaired. The amortization commences when the software cost is available for use. The period and the method of amortization for the software cost are reviewed at each financial year end.

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

Investment Properties

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

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

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

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

Impairment of Nonfinancial Assets

The carrying amounts of investment in an associate, property, plant and equipment, and other nonfinancial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, except for goodwill acquired in a business combination which is reviewed for impairment annually. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Nonfinancial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment losses are recognized in profit or loss under the expense category consistent with the function of the impaired asset. Impairment loss recognized during interim period in respect to goodwill or investment, cannot be reversed at year end.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as an appraisal increase. After such a reversal, the depreciation and amortization are adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Equity

Capital Stock and Additional Paid-in Capital. Capital stock is measured at par value for all shares issued. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from proceeds. The excess of proceeds from issuance of shares over the par value of shares are credited to additional paid-in capital. The Parent Company also recognizes a corresponding increase in additional paid-in capital when services are rendered in an equity-settle share-based payment transaction.

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

Retained Earnings. Retained earnings represent the cumulative balance of net income or loss, dividend distributions, effects of the changes in accounting policy and other capital adjustments.

Dividend Distribution. Dividend distribution to the Parent Company's and subsidiaries' stockholders and the non-controlling interests is recognized as a liability and deducted from equity in the year in

which the dividends are declared as approved by the BOD of respective entities. Dividends that are approved after the reporting year are dealt with as an event after the reporting year.

Other Comprehensive Income (Loss)
Other comprehensive income (loss) comprises items of income and expenses (including items previously presented as other equity reserves under the consolidated statement of changes in equity) that are not recognized in profit or loss for the year in accordance with PFRS. These are presented as part of other equity reserves in the consolidated statement of changes in equity. Other comprehensive income (loss) includes revaluation increment on land, cumulative remeasurement loss on net retirement assets and liabilities, effect of change in equity interest in subsidiaries and cumulative loss on remeasurement loss of retirement assets of an associate.

Employee Stock Option (ESOP)
Regular employees (including directors) receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for rights over shares ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value of the stock options at the date at which these are granted. The fair value of the stock options is determined using an option-pricing model, further details of which are presented in Note 20. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of RHI ("market conditions"), if applicable.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period until employees become fully entitled to the award ("vesting date"). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the best estimate of the number of awards that will ultimately vest. The change or credit for a year represents the movement in cumulative expense recognized as at the beginning and end of that year.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, an expense, at a minimum, is recognized as if the terms had not been modified. An expense is recognized for any increase in the value of the transactions as a result of the modification, as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if these were modifications of the original award, as described in the previous paragraph.

The dilutive effect of outstanding stock option is reflected as additional share dilution in the computation of earnings per share (see Note 27).

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

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

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

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

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

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

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

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

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

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

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

Cost and Expense Recognition

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

Cost of Sales. Cost of sales includes direct materials and labor costs, and those related indirect cost incurred upon processing of the Group's products and rendering of its tolling services. It is recognized as expense when related goods are sold or the related services are rendered.

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

Borrowing Costs

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

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

Leases

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

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

Operating Lease - The Group as a Lessee. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating lease. Operating leases are recognized as an expense on a straight-line basis over the lease term.

For income tax reporting purposes, operating lease payment under operating lease agreements is treated as deductible expense in accordance with the terms of the lease agreements.

Operating Lease - The Group as a Lessor. Leases where the Company does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and amortized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the year in which these are earned.

Employee Benefits

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

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

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

The retirement benefits cost comprises of the service cost, net interest on the retirement liability or plan asset and remeasurements of retirement liability or plan asset.

The Group recognizes service costs, comprising of current service costs, past service costs, gains and losses on curtailments and non-routine settlements; and interest cost or income in profit or loss.

Net interest on the retirement liability or plan asset is the change during the year in the retirement liability or plan asset that arises from the passage of time, which is determined by applying the discount rate based on government bonds to the retirement liability or plan asset.

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

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

The plan assets are generally funded through payments to trustee-administered funds as determined by periodic actuarial calculations. Plan assets are not available to the creditors of the Group, nor can be paid directly to the Group. The fair value of the plan assets is based on the market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the retirement liability, the measurement of the resulting retirement plan asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

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

Termination Benefits. Termination benefits are payable when employment is terminated before the retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of

withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after end of reporting year are discounted to present value.

Related Party Relationship and Transactions

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity, or between, and/or among the reporting entity and its key management personnel, directors or its stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely to the legal form.

Foreign Currency-Denominated Transactions and Translations

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

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

Income Taxes

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

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

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred tax liability is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss. However, deferred tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries and associates. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits (excess of minimum corporate income taxes or MCIT over regular corporate income taxes or RCIT) and unused tax losses (net operating loss carryover or NOLCO), to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and unused tax losses can be utilized.

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

at the end of each reporting year and are recognized to the extent that it has become probable that sufficient future taxable profit will allow the deferred tax asset to be recovered.

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

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

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

Provisions and Contingencies

Provision are recognized when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

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

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

Provisions are reviewed at the end of each reporting year and adjusted to reflect the current best estimate.

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

Earnings per Share

The Group presents basic and diluted earnings per share. Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the year, excluding common shares purchased by the Parent Company and held as treasury shares. Diluted earnings per share is calculated in the same manner, adjusted for the effects of all the dilutive potential common shares.

Segment Reporting
For purposes of management reporting, the Group's operating businesses are organized and managed separately on a per company basis, but are grouped into strategic business units (SBU) defined along the Group's core main product lines, namely: sugar and alcohol.

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

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

5. Significant Judgments, Accounting Estimates and Assumptions

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

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

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

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

Determining the Operating Segments. Determination of operating segments is based on the information about components of the Group that management uses to make decisions about operating matters. Operating segments use internal reports that are regularly reviewed by the Parent Company's chief operating decision maker, which is defined to be the Parent Company's BOD, in order to allocate resources to the segment and assess its performance. The Parent Company reports separate information about an operating segment that meets any of the following quantitative

thresholds: (a) its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments; (b) the absolute amount of its reported profit or loss is 10% or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss; and (c) its assets are 10% or more of the combined assets of all operating segments.

Management assessed that the Group's operating businesses are organized and managed separately according to core main product lines, namely: sugar and alcohol. Consequently, reportable operating segments as at and for the years ended September 30, 2017, 2016 and 2015 are sugar, alcohol and others (see Note 31).

Determining the Existence of Control in Investee Companies. Control is presumed to exist when the Parent Company owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity unless, in exceptional circumstances, it can be clearly demonstrated that such ownership does not constitute control. The Parent Company has the power to cast the majority of votes through its representatives in the BOD. Management has determined that despite having only 50% ownership in RPC and no equity ownership yet in NPSC, the Parent Company has control over RPC and NPSC by virtue of its rights to variable returns from the subsidiary and ability to affect those returns.

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

- Operating Lease - The Group as a Lessee. The Group, has various property being leased covering several heavy handling equipment, service vehicles and office space of RHI, where it has determined that the risks and benefits of ownership over these properties are retained with the lessors. Accordingly, these lease agreements are accounted for as operating leases (see Note 28).

  Rent expense amounted to ₱210.8 million, ₱184.4 million and ₱117.0 million, respectively, included in "Cost of goods sold" and "General and administrative expenses" accounts, in 2017, 2016 and 2015, respectively (see Notes 22 and 23).

- Operating Lease - The Group as a Lessor. Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Rent income is recognized on a straight-line basis over the lease term of the lease, as applicable (see Note 13).

  Rent income included under "Other income" account amounted to ₱8.6 million, ₱13.1 million and ₱6.6 million in 2017, 2016 and 2015, respectively (see Note 25).

Determining the Classification of Properties. Management determines the classification of a property depending on its use. The Group classifies its owner-occupied properties as property, plant and equipment. Properties held to earn rentals or for capital appreciation are classified as

investment properties. The change of use of properties will trigger a change in classification and measurement of these properties.

The Group classified and accounted the land of NAVI, SCBI, CADPI and the Parent Company held for rent or capital appreciation as investment properties. As at September 30, 2017 and 2016, the carrying amount of investment properties amounted to ₱349.3 million and ₱320.8 million, respectively (see Note 13).

Estimates and Assumptions

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

Estimating Impairment Losses on Receivables. The provision for impairment losses on receivables is estimated based on two methods: specific identification and collective assessment. The amounts calculated using each of these methods are combined to determine the total amount to be provided. First, specific accounts are evaluated based on information that certain customers may be unable to meet their financial obligations. In these cases, the Group applies judgment, in recording specific allowances against amounts due to reduce receivable amounts expected to be collected, based on the best available facts and circumstances, including but not limited to, the length of relationship with the customer and the customer's current credit status based on third party credit reports and known market factors. These specific allowances are re-evaluated and adjusted as additional information received impacts the amounts estimated. Second, a collective assessment of historical collection, write-off, experience and customer payment terms is determined. The amount and timing of recorded expenses for any year could therefore differ based on the judgments or estimates made. An increase in the Group's allowance for impairment of receivables would increase its general and administrative expenses and decrease its current assets.

As at September 30, 2017 and 2016, trade and other receivables amounted to ₱2,258.1 million and ₱1,331.0 million, respectively (see Note 8). Allowance for impairment losses of trade and other receivables amounted to ₱76.0 million and ₱86.5 million as at September 30, 2017 and 2016, respectively (see Note 8).

Determining the NRV of Inventories. The Group's estimates of the NRV of inventories are based on the most reliable evidence available at the time the estimates are made of the amount that the inventories are expected to be realized. These estimates consider the fluctuations of price or cost directly relating to events occurring after the end of the reporting period to the extent that such events confirm conditions existing at the end of the reporting period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is a clear evidence of an increase in NRV because of change in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised NRV.

As at September 30, 2017 and 2016, the inventories carried at lower of cost or NRV amounted to ₱2,539.5 million and ₱1,601.8 million, respectively (see Note 9). Allowance for inventory losses and obsolescence amounted to ₱30.1 million and ₱30.0 million as at September 30, 2017 and 2016, respectively (see Note 9).

Allocating the Cost to Molasses Inventory. Management uses judgment to measure and allocate cost to the molasses inventory. When the costs of conversion of each product are not separately

identifiable, these are allocated among the products on a rational and consistent basis. The allocation is based on the NRV of cane products at the completion of production.

As at September 30, 2017 and 2016, portion of molasses inventory amounting to ₱5.9 million and ₱31.5 million, respectively, pertains to allocated cost from the total production costs of milled raw and refined sugar (see Note 9).

Estimating the Provision for Unrecoverable Creditable Withholding Taxes. Provision for unrecoverable creditable withholding taxes is maintained at a level considered adequate to provide for potentially unrecoverable claims. The Group, on a continuing basis, makes a review of the status of the claims, designed to identify those to be provided with any impairment loss. In these cases, management uses judgment based on the best available facts and circumstances. The amount and timing of recorded loss for any period would differ based on the judgments or estimates made.

As at September 30, 2017 and 2016, carrying amount of creditable withholding taxes amounted to ₱597.5 million and ₱506.3 million, respectively (see Note 10).

Determining the Revaluation Value of Land. The land is carried at revalued amount, which approximates its fair value at the date of the revaluation. The valuation of land is performed by Philippine SEC accredited appraisers. The fair value was arrived at using the Market Data Approach based on the gathered available market evidences. Revaluations are made on a regular basis to ensure that the fair value does not differ materially from its carrying value.

Land carried at revalued amount as at September 30, 2017 and 2016 amounted to ₱4,746.0 million and ₱4,379.8 million, respectively (see Note 12). Appraisal increase, net of tax, amounted to ₱116.6 million, ₱181.5 million and nil in 2017, 2016, and 2015, respectively.

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

The carrying amount of the depreciable property, plant and equipment as at September 30, 2017 and 2016 amounted to ₱9,849.6 million and ₱9,794.0 million, respectively (see Note 12).

Determining the Fair Value of Investment Properties. The fair value of the investment properties was determined by Philippine SEC accredited appraisers using Market Data Approach based on gathered available market evidences. The latest appraisal reports were made on various dates in 2017.

Investment properties stated at fair value amounted to ₱349.3 million and ₱320.8 million as at September 30, 2017 and 2016, respectively (see Note 13). The unrealized gain on fair value adjustment of investment properties amounted to ₱13.4 million, ₱27.5 million and nil in 2017, 2016

and 2015 respectively, recorded under "Other income" in the consolidated statement of income (see Note 25).

Assessing Impairment of Nonfinancial Assets. The Group assesses at the end of each reporting year whether there is any indication that the nonfinancial assets listed below (except goodwill) may be impaired. If such indication exists for nonfinancial assets other than goodwill, the Group estimates the recoverable amount of the asset, which is the higher of an asset's fair value less costs to sell and its value-in-use. In determining fair value, an appropriate valuation model is used, which can be based on quoted prices or other available fair value indicators. Goodwill is tested for impairment at least on an annual basis or more frequently if events or changes in circumstances indicate that it may be impaired. For goodwill, annual impairment test requires estimation of value in use of the cash generating unit to which goodwill relates. In estimating the value-in-use, the Group is required to make an estimate of the expected future cash flows from the cash generating unit and also to choose an appropriate discount rate in order to calculate the present value of those cash flows.

Determining the recoverable amounts of the nonfinancial assets 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 and goodwill may be impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations of the Group.

While the Group believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect its assessment of recoverable values and may lead to future additional impairment changes.

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

	Note	2017	2016
Property, plant and equipment	12	**₱10,303,421**	₱10,331,821
Investment in an associate	11	**606,768**	648,868

There are no indications of possible impairment on the nonfinancial assets. Accordingly, the Group has not recognized any impairment losses on nonfinancial assets in 2017, 2016 and 2015.

Goodwill which relates to the Group's acquisition of SCBI in 2015 amounted to ₱1,079.6 million as of September 30, 2017 and 2016 (see Note 6).

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 discount rate used is 8.8% and 9.9% in 2017 and 2016, respectively. Based on this impairment assessment, management has determined that there was no impairment of goodwill in 2017 and 2016 since the value-in-use exceeds the carrying value of the identifiable assets of the cash-generating unit. An increase by 0.85% in the discount rate would result in impairment of goodwill.

Based on management's assessment, the recoverable amount of the goodwill is higher than the carrying value, thus no impairment loss was noted on the goodwill on SCBI with carrying amount of ₱1,079.6 million as of September 30, 2017 and 2016 (see Note 6).

Determining Retirement Benefits and Liability. The determination of the cost of retirement benefits and related retirement liability is dependent on the selection of certain assumptions used by the actuary in calculating such amounts. Those assumptions, which include among others, discount rates and future salary increase rate are described in Note 17.

Actual results that differ from the assumptions are accumulated and are recognized as other comprehensive income and accumulated in equity. While management believes that the assumptions are reasonable and appropriate, significant differences in the Group's actual experience of significant changes in the assumptions may materially affect the retirement liability.

As at September 30, 2017 and 2016, retirement assets amounted to ₱62.1 million and ₱106.8 million, respectively, while retirement liabilities amounted to ₱316.8 million and ₱328.0 million as at September 30, 2017 and 2016, respectively (see Note 17). Net retirement benefits expense amounted to ₱66.0 million, ₱48.7 million and ₱44.9 million in 2017, 2016 and 2015, respectively (see Note 17).

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

Total deferred tax assets amounted to ₱472.7 million and ₱461.2 million as at September 30, 2017 and 2016, respectively (see Note 26).

Deferred tax assets were not recognized on certain deductible temporary differences with income tax effect amounting to ₱12.8 million and ₱3.1 million as at September 30, 2017 and 2016, respectively (see Note 26). Management believes that it may not be probable that future taxable profit will be available in the near future against which the deferred tax assets can be utilized.

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

The Group is involved in various other labor disputes, litigations, claims and tax assessments that are normal to its business. Based on the opinion of the Group's legal counsels on the progress and legal grounds of certain claims and assessments, the Group has recognized outstanding provision for probable losses amounting to ₱96.6 million and ₱22.0 million as at September 30, 2017 and 2016, respectively (see Notes 16 and 28).

6. Business Combination

In April 2015, the Group entered into a Sale and Purchase Agreement (SPA) for the acquisition of 93.35% equity interest in SCBI through RPBC, a wholly owned subsidiary, for a total consideration of ₱1,737.6 million. The total consideration includes the purchase of the receivable of the former stockholders of SCBI from NPSC amounting to ₱122.0 million. All closing conditions have been substantially met in May 2015. In 2016, after finalizing the goodwill, total consideration was adjusted to ₱1,679.9 million.

The SPA also provides the transfer of assets of NPSC to RPBC, whether through merger with, acquisition of NPSC or direct asset sale, without additional consideration to the Group. Consequently, the Group effectively acquired the business of NPSC without holding equity interest yet. The assets of NPSC mainly include depot and storage facilities, which are included in the consolidated statements of financial position. In 2017, deeds of assignment covering the shares held by NPSC's previous stockholders were executed in favor of RPBC.

The carrying amount and fair value of the identifiable assets and liabilities acquired and goodwill resulting from the business combination as of September 30, 2016 and 2017 below. The goodwill primarily relates to expected synergy arising from acquisition.

	Carrying Amount	Fair Value
Cash	₱6,521	₱6,521
Trade and other receivables	233,166	233,166
Inventories	138,452	138,452
Other current assets	63,335	63,335
Property, plant and equipment	2,522,492	2,696,701
Investment property	69,142	96,601
Other noncurrent assets	17,587	17,587
Total assets	3,050,695	3,252,363
Loans payable	1,689,378	1,689,378
Notes payable	135,000	13,000
Trade and other payables	671,353	671,353
Deferred interest	193,841	148,836
Redeemable preferred stock	38,850	38,850
Retirement liability	17,530	17,530
Deferred tax liabilities	29,950	38,200
Total liabilities	2,775,902	2,617,147
Net assets acquired	₱274,793	₱635,216
Total consideration		(1,679,877)
Share of non-controlling interest		(34,954)
Goodwill		(₱1,079,615)

7. Cash and Cash Equivalents

This account consists of:

	2017	2016
Cash on hand	₱1,040	₱612
Cash in banks	520,334	636,044
Cash equivalents	50,003	67,866
	₱571,377	₱704,522

Cash in banks and cash equivalents earn interest at the respective bank deposit rates.

Interest income earned from cash in bank and cash equivalents amounted to ₱0.8 million, ₱1.0 million, and ₱1.1 million in 2017, 2016, and 2015, respectively (see Note 25).

8. Trade and Other Receivables

This account consists of:

	Note	2017	2016
Trade		₱2,013,752	₱889,411
Due from:			
Planters and cane haulers		130,792	246,978
Employees		63,274	59,005
Related parties	19	57,821	37,525
Dividend	11, 19	–	102,492
Others		68,435	82,125
		2,334,074	1,417,536
Allowance for impairment losses		(75,991)	(86,510)
		₱2,258,083	₱1,331,026

Trade receivables are unsecured, noninterest-bearing with credit terms ranging from 15 to 120 days.

Due from planters and cane haulers pertain to interest-bearing cash advances, which will be settled in the form of raw sugar from the planters and through services to be rendered by the cane haulers, respectively. Interest income amounted to ₱2.6 million, ₱2.4 million and ₱1.5 million in 2017, 2016 and 2015, respectively (see Note 25).

Due from employees include housing and educational loans which are collected through salary deduction, and advances for business purposes subject to liquidation.

Other receivables mainly include claims from former stockholder of SCBI which are noninterest-bearing and normally settled within one year.

Details and movements of allowance for impairment losses on trade and other receivables are presented in the next page.

		2017				
	Note	Trade	Due from Planters and Cane Haulers	Due from Employees	Others	Total
Balance at beginning of year		₱39,176	₱37,743	₱733	₱8,858	₱86,510
Provision (reversal)	23	–	(9,322)	65	–	(9,257)
Write-off		(1,262)	–	–	–	(1,262)
Reclassifications		(19,182)	18,051	1,131	–	–
Balance at end of year		₱18,732	₱46,472	₱1,929	₱8,858	₱75,991

		2016				
	Note	Trade	Due from Planters and Cane Haulers	Due from Employees	Others	Total
Balance at beginning of year		₱39,246	₱16,428	₱116	₱24,889	₱80,679
Provision (reversal)	23	–	8,409	–	(2,578)	5,831
Reclassifications		(70)	12,906	617	(13,453)	–
Balance at end of year		₱39,176	₱37,743	₱733	₱8,858	₱86,510

9. Inventories

This account consists of:

	2017	2016
At NRV:		
Materials and supplies	**₱541,014**	₱545,547
Alcohol	**46,153**	–
At cost:		
Refined sugar	**1,324,000**	594,941
Molasses	**335,046**	361,095
Raw sugar	**283,887**	–
Alcohol	–	100,235
Others	**9,426**	–
	₱2,539,526	₱1,601,818

Raw sugar quantities reported as inventories are supported by quedans held by the Group. The Group also has raw sugar quantities, which are also supported by quedans, held in trust for third parties (see Note 28). A quedan is a negotiable instrument which evidences the ownership of specified quantity in a warehouse or sugar central.

Cost of inventories valued at NRV is shown below:

	2017	2016
Materials and supplies	**₱571,051**	₱575,532
Alcohol	**46,227**	–
	₱617,278	₱575,532

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

	2017		
	Alcohol and Molasses	Materials and Supplies	Total
Balance at beginning of year	₱–	₱29,985	₱29,985
Provisions	74	52	126
Balance at end of year	₱74	₱30,037	₱30,111

	2016		
	Alcohol and Molasses	Materials and Supplies	Total
Balance at beginning of year	₱1,381	₱22,750	₱24,131
Provisions (reversal)	(1,381)	7,235	5,854
Balance at end of year	₱–	₱29,985	₱29,985

Provisions for inventory losses and obsolescence amounting to ₱0.1 million and ₱5.9 million, are presented as "Others" under "Cost of goods sold" and "General and Administrative Expenses" in 2017 and 2016, respectively (see Notes 22 and 23).

Cost of inventories recognized as expense and presented as "Direct materials used" under "Cost of sales" amounted to ₱5,194.7 million, ₱6,245.4 million and ₱3,207.3 million in 2017, 2016 and 2015, respectively (see Note 22).

10. Other Assets

Current portion of this account consists of:

	2017	2016
Creditable withholding taxes	₱597,480	₱506,331
Advances to suppliers	103,682	32,073
Input VAT	70,395	264,494
Prepayments	18,211	25,142
Refundable deposits	14,315	12,636
Others	25,120	6,309
	₱829,203	₱846,985

Input VAT, which includes deferred input VAT, arises from other purchases of capital goods and services for operations.

Noncurrent portion of other assets consist of:

	2017	2016
Input VAT	₱256,661	₱–
Refundable deposits	16,842	35,770
Others	6,395	17,135
	₱279,898	₱52,905

Noncurrent portion of input VAT mostly arises from construction services relating to the Ethanol Plant.

11. Investment in an Associate

The Parent Company has 45.09% ownership interest in Hawaiian-Philippine Company (HP Co.), an entity incorporated in the Philippines, which is engaged in manufacturing and trading of raw and refined sugar, molasses and other sugar by-products.

Movements in investment in an associate are as follows:

	Note	2017	2016
Acquisition cost		**₱127,933**	₱127,933
Accumulated share in net earnings:			
Balance at beginning of year		**322,648**	345,350
Dividends declared		**(109,916)**	(234,960)
Share in net earnings		**67,777**	212,258
Balance at end of the year		**280,509**	322,648
Cumulative share in remeasurement loss on retirement liability:			
Balance at beginning of year	18	**(9,205)**	(6,175)
Share in remeasurement loss	18	**39**	(3,030)
Balance at end of the year		**(9,166)**	(9,205)
Share in revaluation increment of land	18	**207,492**	207,492
		₱606,768	₱648,868

Cash dividends declared by HP Co. are as follows:

Date Approved	Amount per Share	Total Amount	Stockholders of Record Date	Date Paid
February 10, 2017	₱3.85	₱243,768	February 28, 2017	April 6, 2017
September 29, 2016	3.59	227,306	October 31, 2016	November 10, 2016
February 11, 2016	2.42	153,224	February 29, 2016	April 7, 2016
October 2, 2015	2.22	140,562	October 31, 2015	November 12, 2015

Dividends declared attributable to the Parent Company amounted to ₱ 109.9 million and ₱235.0 million in 2017 and 2016, respectively. Dividend receivable amounted to ₱102.5 million as at September 30, 2016 (see Note 8).

The associate has no contingent liabilities or capital commitments as of September 30, 2017 and 2016.

Summarized financial information of HP Co. are as follows:

	2017	2016
Current assets	**₱1,000,976**	₱799,763
Noncurrent assets	**1,388,505**	1,325,835
Current liabilities	**(1,044,500)**	(674,682)
Noncurrent liabilities	**(406,395)**	(419,578)
Net assets	**938,586**	1,031,338
Revenue	**2,136,579**	2,381,952
Net income	**150,314**	470,743
Other comprehensive income - remeasurement loss on retirement benefit obligation	**86**	(6,720)

12. Property, Plant and Equipment

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

	2017						
	Buildings and Improvements	Machinery and Equipment	Office Furniture, Fixtures and Equipment	Depot and Storage Facilities	Transportation Equipment	Construction in Progress	Total
Cost							
Balances at beginning of year	₱3,357,857	₱16,277,444	₱739,017	₱173,387	₱155,045	₱537,797	₱21,240,547
Additions	20,162	248,520	32,565	1,750	3,254	613,510	919,761
Retirement and disposals	–	(17,919)	–	–	(1,375)	–	(19,294)
Reclassifications	490,463	78,175	(1,660)	–	117,641	(684,619)	–
Adjustments	6,823	(31,152)	(16,701)	13,870	(13)	(12,837)	(40,010)
Balances at end of year	3,875,305	16,555,068	753,221	189,007	274,552	453,851	22,101,004
Accumulated Depreciation and Amortization							
Balances at beginning of year	1,519,967	8,600,074	664,667	52,199	71,819	–	10,908,726
Depreciation and amortization	184,766	689,746	17,933	16,000	17,578	–	926,023
Retirement and disposals	–	(9,252)	–	–	(574)	–	(9,826)
Reclassifications	377,291	(438,440)	(3,399)	–	64,548	–	–
Adjustments	(2,622)	(7,777)	(16,927)	–	(14)	–	(27,340)
Balances at end of year	2,079,402	8,834,351	662,274	68,199	153,357	–	11,797,583
Net Carrying Amount	₱1,795,903	₱7,720,717	₱90,947	₱120,808	₱121,195	₱453,851	₱10,303,421

	2016						
	Buildings and Improvements	Machinery and Equipment	Office Furniture, Fixtures and Equipment	Depot and Storage Facilities	Transportation Equipment	Construction in Progress	Total
Cost							
Balances at beginning of year	₱3,925,550	₱15,276,447	₱676,391	₱173,387	₱102,910	₱769,964	₱20,324,649
Additions	4,775	187,208	49,905	–	34,506	656,453	932,847
Retirement and disposals	–	(16,949)	–	–	–	–	(16,949)
Reclassifications	27,532	830,738	12,721	–	17,629	(888,620)	–
Balances at end of year	3,357,857	16,277,444	739,017	173,387	155,045	537,797	21,240,547
Accumulated Depreciation and Amortization							
Balances at beginning of year	1,380,340	7,872,589	651,315	52,199	50,534	–	10,006,977
Depreciation and amortization	139,627	739,847	13,352	–	21,285	–	914,111
Retirement and disposals	–	(12,362)	–	–	–	–	(12,362)
Balances at end of year	1,519,967	8,600,074	664,667	52,199	71,819	–	10,908,726
Net Carrying Amount	₱1,837,890	₱7,677,370	₱74,350	₱121,188	₱83,226	₱537,797	₱10,331,821

Construction in progress mainly pertains to the on-going plant improvements and rehabilitation of milling and refinery equipment, which are to be completed in 2018. As at September 30, 2017 and 2016, the Group has contractual commitment for the on-going construction projects amounting to ₱394.1 million and ₱8.3 million, respectively.

The Group has no borrowing cost capitalized in 2017 and 2016. Unamortized capitalized borrowing cost as at September 30, 2017 and 2016 amounted to ₱259.4 million and ₱293.6 million with corresponding deferred tax of ₱77.8 million and ₱88.1 million, respectively (see Note 26). The capitalized borrowing cost is amortized over the estimated useful lives of the qualifying assets to which it relates.

The amount of depreciation and amortization is allocated as follows:

	Note	2017	2016	2015
Cost of sales	22	**₱879,086**	₱858,215	₱752,067
General and administrative expenses	23	**71,753**	69,298	45,168
		₱950,839	₱927,513	₱797,235

Depreciation and amortization in 2017, 2016 and 2015 includes amortization of software cost of ₱24.8 million, ₱13.4 million and ₱2.3 million, respectively.

As at September 30, 2017 and 2016, fully depreciated property, plant and equipment with an aggregate cost of ₱ 1,494.6 million and ₱ 1,553.6 million, respectively, are still being used in operations.

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

	Note	2016	2016
Balance at beginning of year		**₱4,379,780**	₱4,050,586
Additions		**214,468**	–
Appraisal increase	18	**166,516**	312,001
Reclassification	13	**(14,717)**	17,193
Balance at end of year		**₱4,746,047**	₱4,379,780
At cost		**₱841,279**	₱625,533

In 2017, reclassification pertains to land which was owner-occupied but was held for lease and classified as investment property starting in 2017. In 2016, reclassification pertains to land previously held for lease and classified as investment property but was owner-occupied starting in 2016.

As at September 30, 2017 and 2016, the revaluation of land is based on the appraised values using a market data approach, as determined by Philippine SEC accredited independent appraisers. Market data approach considers the sales and listings and other market data of comparable properties registered within the vicinity of the property being valued. Factors such as location, size, shape of lot, highest and best use estimate were also taken into consideration in order to estimate the fair value of the property. The revalued amount has been categorized as level 2 (directly or indirectly observable inputs). The latest appraisal reports were made on various dates in 2017.

Certain property, plant and equipment with a carrying amount of ₱ 8,183.2 million as at September 30, 2017 and 2016 were mortgaged and used as collateral to secure the loan obligations with the local banks (see Note 15).

13. Investment Properties

Movements in investment properties are as follows:

	Note	2017	2016
At fair value:			
Balance at beginning of year		**₱320,812**	₱311,110
Fair value adjustment	25	**13,406**	27,529
Reclassifications	12	**14,717**	(17,193)
Others		**332**	(634)
		₱349,267	₱320,812

Investment properties pertain to land of the Parent Company, NAVI, CADPI and SCBI held for rental and capital appreciation.

Rent income from the lease of agricultural land of NAVI amounted to ₱6.8 million, ₱7.7 million and ₱6.3 million in 2017, 2016 and 2015, respectively (see Note 25). Direct operating expenses amounted

to ₱0.7 million, ₱0.6 million and ₱0.7 million in 2017, 2016 and 2015, respectively, which mainly pertain to real property taxes.

The fair value of investment properties is based on the appraised value of the property using a market data approach, as determined by a professionally qualified independent appraiser. Market data approach considers the sales and listings and other market data of comparable properties registered within the vicinity of the property being valued. Factors such as location, size, shape of lot, highest and best use estimate were also taken into consideration in order to estimate the fair value of the property. The fair value measurement for land has been categorized as Level 2 (directly or indirectly observable inputs). The latest appraisal reports were made on various dates in 2017.

14. Short-term Borrowings

This account consists of unsecured short-term loans obtained from various local banks for the working capital requirements of the Group. The short-term borrowings are payable within 30 to 90 days and bear interest ranging from 3.50% to 5.75% in 2017 and 2.75% to 3.75% in 2016.

In 2016, short-term loans amounting to ₱1,400.0 million were reclassified as noncurrent liabilities, based on the approved 6-year Term Loan Facility dated September 30, 2016 amounting to ₱1,800.0 million (see Note 15). On December 1, 2016, the ₱1,400.0 million was availed against the 6-year Term Loan Facility to refinance the short-term loans.

Total interest expense arising from short-term borrowings amounted to ₱ 164.1 million, ₱169.0 million and ₱29.2 million in 2017, 2016 and 2015, respectively (see Note 15).

15. Long-term Borrowings

The Group obtained various loans from local banks. Outstanding long-term borrowings are as follows:

			Outstanding Balance	
Facility	Terms	Collateral	2017	2016
₱2,645.0 million dated August 5, 2014	Payable in equal quarterly amortization for seven years beginning November 2016 and bears fixed interest of 4.50% for three years subject to repricing thereafter	Suretyship agreement and mortgage trust indenture (MTI)	**₱2,314,375**	₱2,645,000
₱1,227.0 million dated September 10, 2014	Quarterly principal repayment amounting to ₱49.0 million starting September 2017 until June 2021 and a lump sum payment of the remaining balance on September 10, 2021 and bears fixed interest of 4.50% subject to change as agreed by the parties	Suretyship agreement and MTI	**1,178,000**	1,227,000
₱1,400.0 million dated December 1, 2016 (Note 14)	Quarterly principal repayment amounting to ₱66.7 million starting December 2017 until December 2022 and bears floating interest	Clean loan	**1,400,000**	–
₱800.0 million dated August 12, 2016	Quarterly principal repayment amounting to ₱100.0 million starting November 2017 until December 2019 with one year grace period and bears fixed interest rate of 4.50% subject to change as agreed by the parties	Suretyship agreement and MTI	**800,000**	800,000

(Forward)

Facility	Terms	Collateral	Outstanding Balance 2017	2016
₱380.0 million dated May 27, 2014	Quarterly principal repayment amounting to ₱13.6 million starting December 2017 until June 2021 and a lump sum payment of the remaining balance on September 10, 2021 and bears fixed interest of 4.50% subject to change as agreed by the parties	Suretyship agreement and MTI	₱380,000	₱380,000
₱1,500.0 million dated February 14, 2008 amended on February 6, 2012	Payable in 15 equal consecutive quarterly installment beginning November 5, 2014 until May 5, 2018 and bears fixed interest of 5.5%	Suretyship agreement and MTI	236	500
₱800.0 million dated February 5, 2016 (Note 14)	Quarterly principal repayment amounting to ₱38.1 million starting December 2017 until December 2022 and bears floating interest	Clean loan	–	800,000
₱1,000.0 million dated September 28, 2016 (Note 14)	Quarterly principal repayment amounting to ₱28.6 million starting December 2017 until December 2022 and bears floating interest	Clean loan	–	600,000
Others			756	822
			6,073,367	6,453,322
Unamortized transaction costs			(18,032)	(17,802)
			6,055,335	6,435,520
Current portion			(1,234,803)	(379,954)
Noncurrent portion			₱4,820,532	₱6,055,566

Interest Expense

Interest ranges from 3.00% to 5.79%, 3.00% to 5.50%, and 2.75% to 7.50% in 2017, 2016 and 2015, respectively. Interest expense arises from the following borrowings:

	Note	2017	2016	2015
Long-term		₱273,717	₱213,742	₱242,170
Short-term	14	164,080	169,028	29,185
Convertible debt	18, 19	6,460	–	–
		₱444,257	₱382,770	₱271,355

Suretyship Agreements and MTI

The Group entered into various suretyship agreements and MTI with local bank creditors that secure the Group's obligations in solidarity against all the properties of RHI, CADPI, CACI and RBC, including 28,549,365 HP Co. shares. Property, plant and equipment with a carrying amount of ₱8,183.2 million were mortgaged and used as collateral to secure the loan obligations with the local bank creditors (see Note 12). Carrying amount was determined by a professionally qualified independent appraiser in June 2016.

Loan Covenants

The foregoing loan agreements, except for the Omnibus Loan and Security Agreement (OLSA) dated December 21, 2006, are subject to certain covenants, such as but not limited to:

- maintenance of debt service coverage ratio (DSCR) of at least 1.25 times and debt-to-equity ratio of not more than 70:30;

- prohibition on purchase of additional equipment, except in pursuance of its sugar expansion and ethanol project, unless the required financial ratios are maintained;
- prohibition on any material change in ownership or control of its business or capital stock or in the composition of its top level management; and
- prohibition on declaration or payment of dividends or any other capital or other asset distribution to its stockholders, unless the required financial ratios are maintained.

As at September 30, 2017 and 2016, the Group is in compliance with the foregoing loan covenants.

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

	2017	2016
Less than one year	**₱1,234,803**	₱379,954
Between one to two years	**2,667,717**	968,130
Between two to five years	**1,840,221**	4,113,361
Between five to eight years	**330,626**	991,877
	₱6,073,367	₱6,453,322

16. Trade and Other Payables

This account consists of:

	Note	2017	2016
Trade		**₱549,474**	₱488,783
Accruals for:			
Payroll and other employee benefits		**38,935**	7,777
Interest		**37,987**	30,781
Others		**147,926**	240,923
Due to:			
Related parties	19	**103,724**	98,936
Planters		**19,630**	4,985
Provision for probable losses	23, 28	**96,572**	22,000
Payable to government agencies for taxes and statutory contributions		**29,953**	30,058
Customers' deposits		**12,957**	7,513
Others		**151,409**	140,145
		₱1,188,567	₱1,071,901

Trade payables are noninterest-bearing and generally settled within 30 to 60 days.

Other accruals primarily pertain to purchased molasses and biomass fuel, which were already received but not yet billed by the suppliers.

Payables to government agencies contributions for taxes and statutory and other payables are noninterest-bearing and are normally settled throughout the year.

Customers' deposits represent noninterest-bearing cash deposits from customers, which will be applied against future deliveries of refined sugar.

Other payables include advances from previous related parties of SCBI to fund SCBI's working capital requirements totaling ₱128.9 million as at September 30, 2017 and 2016, which are noninterest-bearing, unsecured and payable on demand.

Rollforward of provision for probable losses in September 30, 2017 and 2016 are as follows:

	Note	2017	2016
Beginning balance		**₱22,000**	₱–
Addition	23	**74,572**	22,000
Ending balance		**₱96,572**	₱22,000

17. Retirement Benefits

The Parent Company and its subsidiaries, namely: CACI, CADPI and SCBI, have individual and separate non-contributory defined benefit plan covering all qualified employees. RBC estimates its retirement benefits under R. A. No. 7641, *Philippine Retirement Pay Law*. A defined benefit plan is a retirement plan that defines an amount of retirement benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. The plans are generally funded through payments to trustee-administered funds as determined by periodic actuarial calculations.

Retirement Benefits

Net retirement benefits expense recognized in the consolidated statements of income included in salaries and wages and employee benefits under "Cost of sales" and "General and administrative expenses" account are as follows:

	2017	2016	2015
Current service cost	**₱54,102**	₱46,332	₱41,067
Net interest cost	**11,849**	6,158	1,614
Past service cost	**–**	(6,966)	–
Adjustment due to curtailment	**–**	3,209	2,180
	₱65,951	₱48,733	₱44,861

The remeasurement losses (gains) recognized in the consolidated statements of comprehensive income are as follows:

	2017	2016	2015
Remeasurement losses (gains) on:			
Defined benefit obligation due to:			
Changes in financial assumptions	**(₱36,468)**	₱24,776	₱1,529
Experience adjustments	**(3,893)**	(15,883)	(10,866)
Changes in demographic assumptions	**2,221**	–	982
	(38,140)	8,893	(8,355)

(Forward)

	2017	2016	2015
Return on plan assets	₱5,894	₱47,766	₱33,036
	(32,246)	56,659	24,681
Deferred tax	9,370	(14,845)	(7,404)
	(₱22,876)	₱41,814	₱17,277

Retirement Assets and Liabilities

Retirement assets and liabilities recognized in the consolidated statements of financial position are as follows:

	2017	2016
Retirement liabilities [1]	(₱316,758)	(₱327,952)
Retirement assets [2]	62,129	106,835
Net retirement liabilities	(₱254,629)	(₱221,117)

(1) Pertain to net retirement liabilities of CADPI, RBC and SCBI.

(2) Pertain to net retirement assets of the Parent Company and CACI.

Components of net retirement liabilities:

	2017	2016
Present value of defined benefit obligation	(₱569,065)	(₱560,012)
Fair value of plan assets	314,436	338,895
	(₱254,629)	(₱221,117)

The movements in net retirement assets (liabilities) are as follows:

	2017		2016	
	Net Retirement Assets	Net Retirement Liabilities	Net Retirement Assets	Net Retirement Liabilities
Balance at beginning of year	₱106,835	(₱327,952)	₱113,932	(₱232,908)
Remeasurement gain (loss) recognized in other comprehensive income	(40,710)	72,956	(6,631)	(50,028)
Retirement benefits expense	(3,996)	(61,955)	(3,717)	(45,016)
Benefits paid from Group funds	–	193	3,251	–
Balance at end of year	₱62,129	(₱316,758)	₱106,835	(₱327,952)

Changes in the Present Value of the Defined Benefit Obligation

	2017		2016	
	Net Retirement Assets	Net Retirement Liabilities	Net Retirement Assets	Net Retirement Liabilities
Balance at beginning of year	₱86,952	₱473,060	₱78,611	₱429,918
Current service cost	6,027	48,075	5,577	40,755
Remeasurement losses (gains) due to:				
Changes in financial assumptions	(5,623)	(30,845)	4,480	20,296
Experience adjustments	458	(4,351)	(472)	(15,411)
Changes in demographic assumptions	–	2,221	–	–
Benefits paid	(1,391)	(29,253)	(8,577)	(16,018)
Interest cost	3,760	19,975	3,773	20,837
Past service cost	–	–	–	(6,966)
Adjustment due to curtailment	–	–	3,560	(351)
Balance at end of year	₱90,183	₱478,882	₱86,952	₱473,060

Changes in the Fair Value of Retirement Plan Assets

	2017		2016	
	Net Retirement Assets	Net Retirement Liabilities	Net Retirement Assets	Net Retirement Liabilities
Balance at beginning of year	₱193,785	₱145,110	₱192,543	₱197,010
Return on plan assets	(45,874)	39,980	(2,625)	(45,141)
Benefits paid	(1,391)	(29,061)	(5,326)	(16,018)
Interest income on plan asset	5,791	6,096	9,193	9,259
Balance at end of year	₱152,311	₱162,125	₱193,785	₱145,110

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

The categories of the plan assets are as follows:

	2017	2016
Cash	39.2%	7.7%
Receivables	17.3%	20.1%
AFS financial assets	14.0%	32.8%
Investments in properties	0.1%	26.2%
Investments in government securities	29.4%	13.2%
	100.0%	100.0%

As at September 30, 2017 and 2016, plan assets include investments in 27.4 million shares of stock of the Parent Company with a fair value amounting to ₱120.4 million and ₱90.0 million, respectively. The principal assumptions used in determining the retirement assets and liabilities of the Group are shown below:

	Discount Rate		Salary Increase Rate	
	2017	2016	2017	2016
RHI	4.8%	4.8%	4.0%	4.0%
CADPI	4.2%	4.7%	4.0%	4.0%
CACI	4.3%	4.8%	4.0%	4.0%
RBC	4.8%	4.9%	4.0%	4.0%
SCBI	5.0%	4.8%	5.0%	5.0%

As at September 30, 2017, the Group's discount and salary increase rate are as follows:

	Discount Rate	Salary Increase Rate
RHI	4.9%	4.0%
CADPI	4.9%	4.0%
CACI	4.9%	4.0%
RBC	5.2%	4.0%
SCBI	5.1%	4.0%

The Group does not expect to contribute to their respective retirement funds in 2018.

The sensitivity analysis based on reasonably possible changes of the assumptions as at September 30, 2017 and 2016 is presented below.

	Change in Assumption	Effect on Retirement Assets/Liabilities	
		2017	2016
Discount rate	+1.0%	**(₱46,724)**	(₱48,545)
	-1.0%	**54,176**	56,502
Salary Rate	+1.0%	**54,124**	56,050
	-1.0%	**(47,527)**	(49,078)

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.

The schedule of projection of benefit payments expected to be paid out of the retirement fund is as follows:

Period	**2017**	2016
Less than one year	**₱39,066**	₱35,962
Between one and five years	**273,146**	248,996
Over five years	**2,158,186**	2,079,918
	₱2,470,398	₱2,364,876

As at September 30, 2017 and 2016, the average duration of the defined benefit obligation at the end of reporting period is 14.4 years and 15.2 years, respectively.

18. Equity

a. Capital stock and treasury stock

Details of capital stock and treasury stock follow:

	2017		2016		2015	
	Number of Shares	Amount *(in Thousands)*	Number of Shares	Amount *(in Thousands)*	Number of Shares	Amount *(in Thousands)*
Authorized common shares "Capital A" at ₱1.0 par value						
Balance at beginning of year	1,500,000,000	₱1,500,000	1,500,000,000	₱1,500,000	1,500,000,000	₱1,500,000
Additions	500,000,000	500,000	–	–	–	–
Balance at end of year	2,000,000,000	₱2,000,000	1,500,000,000	₱1,500,000	1,500,000,000	₱1,500,000
Issued common shares "Class A"						
Balance at beginning of year	1,439,442,161	₱1,439,442	1,169,288,884	₱1,169,289	1,168,976,425	₱1,168,976
Issuances	125,156,985	125,157	270,153,277	270,153	312,459	313
Balance at end of year	1,564,599,146	1,564,599	1,439,442,161	1,439,442	1,169,288,884	1,169,289
Treasury stock						
Balance at beginning of year	(17,643,480)	(₱52,290)	(17,643,480)	(₱52,290)	(259,424,189)	(₱768,860)
Issuances	–	–	–	–	241,780,709	716,570
Balance at end of year	(17,643,480)	(52,290)	(17,643,480)	(52,290)	(17,643,480)	(52,290)
Issued and outstanding	1,546,955,666	₱1,512,309	1,421,798,681	₱1,387,152	1,151,645,404	₱1,116,999

In May 2016, the Parent Company issued 266,753,974 common shares from stock rights offering at ₱4.19 a share Offer Price amounting to ₱1,117.7 million, net of transaction costs of ₱4.4 million (see Note 1). The net proceeds from the stock rights offering were used to partially pay the loan obligations of RPBC and to acquire certain equipment for sugar milling and refining facilities of the Group.

The reacquired shares of RHI under its Share Buy Back Program totaled 259,424,189 shares at cost of ₱768.9 million. In 2015, RHI issued 241,780,709 treasury shares at ₱7.0 a share aggregating to ₱1,692.5 million. The transaction costs incurred in relation to the issuances of treasury shares amounted to ₱12.4 million, which were accounted for as a reduction in additional paid-in capital. There were no reacquisitions and issuances of treasury shares in 2017 and 2016.

On July 14, 2017, the Parent Company's application for increase in authorized capital stock using the convertible debt securities as payment for subscription was approved by SEC. On November 9, 2017, the PSE approved the listing of these newly subscribed 125,000,000 common shares.

b. Other equity items and reserves

Details follow:

	Note	2017	2016	2015
Equity reserves:				
Revaluation Increment on Land	12			
Balance at beginning of year		**₱2,657,525**	₱2,476,063	₱2,476,063
Appraisal increase, net of tax		**114,842**	181,462	–
Balance at end of year		**2,772,367**	2,657,525	2,476,063
Cumulative Remeasurement Loss on Net Retirement Assets and Liabilities	17			
Balance at beginning of year		**(196,091)**	(154,073)	(136,796)
Remeasurement gain (loss), net of tax		**22,830**	(42,018)	(17,277)
Balance at end of year		**(173,261)**	(196,091)	(154,073)
Share in Revaluation Increment on Land of an Associate	11	**207,492**	207,492	207,492
Cumulative Share in Remeasurement Loss on Retirement Liability of an Associate	11			
Balance at beginning of year		**(9,205)**	(6,175)	(6,175)
Share in remeasurement loss on retirement liability of an associate		**39**	(3,030)	–
Balance at end of year		**(9,166)**	(9,205)	(6,175)
Total equity reserves		**2,797,432**	2,659,721	2,523,307
Other equity items				
Excess of Consideration Received over Carrying Amount of Net Assets of a Subsidiary Transferred to the Parent Company		**577,148**	577,148	577,148
Effect of Change in Equity Interest in Subsidiaries		**44,567**	44,567	44,567
Total other equity items		**621,715**	621,715	621,715
Total other equity items and reserves		**₱3,419,147**	₱3,281,436	₱3,145,022

Following the Reorganization Program as approved by the SEC on December 11, 2001, RHI was transformed into a diversified holding and investment corporation, while its subsidiary, CADP Group Corporation (CADPGC), emerged as a holding and investment company with specific focus on sugar milling and refining business. In 2008, RHI increased its equity ownership in CADPGC

from 89.28% to 89.36% when CADPGC re-acquired portion of its shares of stock. On December 11, 2008, RHI acquired CADPGC's sugar-related operating subsidiaries (CADPI, CACI, CADPI, CFSI, CCSI, JOMSI, NAVI) and an associate (HP Co.), including certain assets and liabilities of CADPGC. On January 23, 2009, RHI sold its investment in CADPGC to Roxas & Company, Inc. Effective June 29, 2009, upon approval by the SEC on June 23, 2009, CADPGC, as the surviving entity, merged with Roxas & Company, Inc. through a share swap, wherein 11.71 CADPGC's shares of stock were exchanged for every share of stock of Roxas & Company, Inc. On the same date, the SEC approved the change in corporate name of CADPGC to RCI.

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

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

c. Track record of registration

On March 16, 1994, the Parent Company registered with the SEC its 1,000.0 million shares, consisting of 600.0 million Class "A" shares and 400.0 million Class "B" shares at a par value of ₱1.0 a share equivalent to ₱1,000,000,000, and representing the entire capital stock of the Parent Company. Moreover, the SEC licensed the sale or offer for sale of the Parent Company's 477,750,000 shares (inclusive of its present subscribed capital stock of 382,200,000 shares), out of which 95,550,000 shares were sold at ₱3.0 a share.

On September 4, 1995, the SEC licensed the sale or offer for sale of 174,400,000 shares in an initial public offering at an offer price between ₱5.0 to ₱8.0 a share. The said shares consist of 100.0 million shares from the Parent Company's registered but unlicensed and unissued capital stock for primary offering and 74,400,000 shares owned by selling shareholders for secondary offering.

On January 28, 1997, the Parent Company declared stock dividend at the rate of 30% payable to stockholders of record as at February 28, 1997.

On November 24, 1999 and December 15, 1999, the Parent Company declared stock dividend at the rate of 30%, consisting of 225,322,500 common shares at ₱ 1.0 a share, payable to stockholders of record as at February 15, 2000.

On January 30, 2003, the SEC approved the Parent Company's increase in authorized capital stock from ₱1,000,000,000 to ₱1,500,000,000, divided into 1,500,000,000 common shares. Of the total increase in authorized capital stock, 192,779,459 common shares at par value of ₱1.0 a share or total of 192,779,459 common shares, were fully paid through the declaration of stock dividend at the rate of 20% to stockholders of record as at February 28, 2003.

On April 3, 2003, the PSE approved the listing of additional 192,779,459 common shares, at a par value of ₱281.0 a share, representing the 20% stock dividend declaration discussed in the foregoing. Moreover, the Parent Company's listed shares were reduced by 188 common shares representing fractional shares arising from the 30% stock dividend declared in 1997 and 30% stock dividends declared in 2000, which were paid for in cash.

On February 15, 2017, the shareholders approved the amendment of the Parent Company's articles of incorporation to increase the authorized capital stock from 1,500,000,000 to 2,000,000,000 divided into 2,000,000,000 with par value of ₱1.0 per share. On the same day, the shareholders approved the subsequent conversion of the convertible note to be issued out of the increase in authorized capital stock at a conversion rate of ₱4.19 for every common share, or a total of 125,000,000 new common shares.

On July 14, 2017, the Parent Company's application for increase in authorized capital stock was approved by SEC. On November 9, 2017, the PSE approved the listing of these newly subscribed 125,000,000 common shares.

d. Retained earnings

Retained earnings not available for dividend declaration

	Note	2017	2016
Deferred tax assets	26	**₱472,159**	₱619,522
Accumulated earnings of subsidiaries		**302,827**	240,100
Cumulative unrealized gain on changes in fair value of investment properties, net of tax	26	**158,064**	134,377
Treasury stock		**52,290**	52,290
		₱985,340	₱1,046,289

Accumulated earnings of the subsidiaries are not yet available for dividend distribution to the Parent Company's stockholders, unless received as cash dividends from the subsidiaries and an associate.

Dividend declaration

Cash dividends declared and paid by the Parent Company are as follows:

Date Approved	Amount per Share	Total Amount	Stockholders of Record Date	Date Paid
August 19, 2015	₱0.12	₱138,198	September 4, 2015	September 25, 2015
December 17, 2014	0.12	109,146	December 22, 2014	January 15, 2015

e. Share prices

The principal market for the Parent Company's shares of stock is the PSE. The high and low trading prices of the Parent Company's shares of stock for each quarter within the three fiscal years are presented in the next page.

Quarter	High	Low
October 1, 2016 through September 30, 2017		
First	₱3.04	₱2.98
Second	3.00	2.87
Third	3.83	3.67
Fourth	4.19	4.10
October 1, 2015 through September 30, 2016		
First	5.86	4.43
Second	6.19	4.00
Third	4.65	4.01
Fourth	3.98	3.19
October 1, 2014 through September 30, 2015		
First	6.94	6.75
Second	6.80	6.66
Third	6.39	6.24
Fourth	5.78	5.47

19. Related Party Transactions and Balances

In the normal course of business, the Group has transactions with related parties as follows:

Related Party	Relationship	Nature of Transaction	Year	Transactions during the Year	Dividend Receivable (see Note 8)	Trade Receivables	Net Amount Due from Related Parties (see Note 8)	Net Amount Due to Related Parties (see Note 16)
CADP Retirement Fund, Inc. (CADPRFI)	Retirement Fund of CADPI	Noninterest-bearing advances payable on demand	2017	₱24,354	₱–	₱–	₱57,425	₱14,118
			2016	(4,991)	–	–	37,525	15,790
RHI Retirement Fund, Inc. (RHIRFI)	Retirement Fund of RHI	Noninterest-bearing advances payable on demand	2017	6	–	–	6	55,000
			2016	(716)	–	–	–	55,000
CACI Retirement Fund, Inc. (CACIRFI)	Retirement Fund of CACI	Noninterest-bearing advances payable on demand	2017	138	–	–	138	28,146
			2016	(5,806)	–	–	–	28,146
Roxas Foundation, Inc.	Affiliate	Noninterest-bearing advances payable on demand	2017	252	–	–	252	–
			2016	–	–	–	–	–
HP Co	Associate	Sale of raw sugar	2017	381,483	–	2,106	–	–
			2016	146,119	–	–	–	–
		Purchase of molasses	2017	236,418	–	–	–	–
			2016	157,420	–	–	–	–
		Purchase of bagasse	2017	12,856	–	–	–	–
			2016	54,211	–	–	–	–
		Purchase of raw sugar	2017	125,383	–	–	–	–
			2016	–	–	–	–	–
		Dividend income	2017	109,916	–	–	–	–
			2016	234,960	102,492	–	–	–
FPNHR	Stockholder	Interest-bearing convertible debt securities (Note 1)	2017	523,750	–	–	–	–
		Interest expense	2017	6,460	–	–	–	6,460
			2017		₱–	₱2,106	₱57,821	₱103,724
			2016		102,492	–	37,525	98,936

a. The Group made advances to RHIRFI, CADPIRFI and CACIRFI for a portion of the retirement payments made to the Group's qualified retired employees under defined benefit plan. As at September 30, 2017 and 2016, advances to RHIRFI, CADPRFI and CACIRFI are included in "Trade and other receivables" account.

b. Due to related parties, which are presented as part of "Trade and other payables" account, represents noninterest-bearing payable arising from advances and rent of office space from CADPRFI.

c. RCBC, a creditor of CADPI and CACI, owns 34.5 million shares or 2.99% interest in RHI as at September 30, 2016. As at September 30, 2017, RCBC no longer holds any interest in RHI.

d. As at September 30, 2017 and 2016, total amount of trade and non-trade receivables and payables with related parties eliminated during consolidation amounts to ₱14,652.2 million and ₱8,225.2 million, respectively, while revenue and expense eliminated amounts to ₱3,477.0 million, ₱2,572.5 million and ₱2,565.2 million as at September 30, 2017, 2016 and 2015, respectively.

Outstanding balances of transactions with related parties at yearend are unsecured and settlements are made in cash. The Group did not recognize any provision for impairment loss in 2017, 2016 and 2015. This assessment is undertaken each financial year by reviewing the financial position of the related party and the market in which the related party operates.

Key management personnel compensation:

	Note	**2017**	2016	2015
Salaries and wages and other short-term benefits		**₱92,519**	₱138,199	₱174,186
Employee stock option	20	**1,917**	712	12,981
		₱94,436	₱138,911	₱187,167

20. Employee Stock Option Plans (ESOP)

The BOD of the Company approved the establishment of its first and second ESOP on May 8, 2013 and January 16, 2014, respectively. The ESOPs cover all employees of the Company and its subsidiaries, namely: CACI, CADPI and RBC, who have rendered at least six months of service at the time of grant, subject for approval by the Senior Vice President, Human Resource, and the designated administrator. Employees are given the option to purchase the shares allocable to them over an exercise period of five years from the effectivity date of ESOP. The share options vest each year over the five-year term of ESOP. The offer price of the shares is based on the average quoted price during the 30-trading days prior to exercise date less a 15% discount. About 35.0 million and 30.0 million common shares of the Company's unissued shares have been initially reserved under the first and second ESOP, respectively.

Movements of the number of share options for the first and second ESOP are as follows:

	First ESOP		Second ESOP	
	2017	2016	**2017**	2016
Balance at beginning of year	**16,110,376**	25,484,628	**24,460,832**	36,256,323
Forfeited or expired	**(302,908)**	(6,142,744)	**(1,507,107)**	(11,478,188)
Exercised	**(156,985)**	(3,231,508)	**–**	(317,303)
Balance at end of year	**15,650,483**	16,110,376	**22,953,725**	24,460,832
Exercisable at end of year	**11,409,605**	10,109,015	**11,145,620**	6,340,876

In 2017, the Company issued 156,985 and nil common shares pertaining to the exercise of stock option of employees under First ESOP and Second ESOP, respectively, and amounting to ₱0.4 million (see Note 18). In 2016, the Company issued 3.2 million and 317,303 common shares pertaining to the

exercise of stock option of employees under First ESOP and Second ESOP, respectively, and amounting to ₱7.0 million (see Note 18). The weighted-average share price at the date of exercise for share options under the First ESOP was ₱3.44.

The fair value of the First and Second ESOP was estimated at the date of grant using Black Scholes-Merton model with the following inputs as follows:

First ESOP

	Options Vesting After				
	Year One	Year Two	Year Three	Year Four	Year Five
Spot price	₱2.80	₱2.80	₱2.80	₱2.80	₱2.80
Strike price	₱2.49	₱2.49	₱2.49	₱2.49	₱2.49
Expected volatility	38.83%	39.10%	36.59%	39.61%	42.46%
Risk-free rate	2.71%	2.98%	3.29%	3.60%	3.36%
Dividend rate as a percentage of spot price	0.00%	0.00%	0.00%	0.00%	0.00%

Second ESOP

	Options Vesting After				
	Year One	Year Two	Year Three	Year Four	Year Five
Spot price	₱6.90	₱6.90	₱6.90	₱6.90	₱6.90
Strike price	₱5.32	₱5.32	₱5.32	₱5.32	₱5.32
Expected volatility	33.46%	39.77%	39.71%	37.65%	39.95%
Risk-free rate	2.86%	2.82%	3.15%	3.90%	3.38%
Dividend rate as a percentage of spot price	0.00%	0.00%	0.00%	0.00%	0.00%

The weighted average fair value of the share options granted in 2013 (First ESOP) and 2014 (Second ESOP) amounted to ₱0.9 and ₱3.0, respectively. The volatility rate is determined as the historical volatility of the returns on the stock over a period similar to the vesting period of the option.

The weighted average remaining contractual life of the outstanding stock options is 1.25 years and 1.33 years as at September 30, 2017 and 2016, respectively.

The employee stock option expense recognized for employee services received amounted to ₱5.3 million, ₱1.4 million and ₱35.1 million in 2017, 2016 and 2015, respectively, presented as part of "Personnel costs" account (see Note 24).

21. Revenue

The components of revenue are as follows:

	2017	2016	2015
Sale of goods:			
Refined sugar	**₱4,192,991**	₱3,843,345	₱2,518,987
Alcohol	**3,602,242**	4,201,952	2,592,835
Raw sugar	**2,384,628**	3,357,272	2,247,077

(Forward)

	2017	2016	2015
Molasses	₱474,805	₱353,756	₱418,204
Carbon dioxide	10,526	8,215	38,336
	10,665,192	11,764,540	7,815,439
Sale of services:			
Tolling fees	243,546	252,979	385,254
Power	16,366	30,966	7,703
Farm services	22,429	1,749	–
	282,341	285,694	392,957
	₱10,947,533	₱12,050,234	₱8,208,396

22. Cost of Sales

	Note	2017	2016	2015
Direct materials used	9	₱5,194,664	₱6,245,422	₱3,207,261
Planters' subsidy and productivity assistance	28	1,034,022	1,343,626	1,025,722
Depreciation and amortization	12	879,086	858,215	752,067
Fuel and oil		710,647	991,840	771,189
Personnel costs	24	413,685	349,365	354,885
Repairs and maintenance		381,416	370,637	282,076
Outside services		195,195	108,984	68,786
Rent	28	182,840	156,534	102,568
Materials and consumables		176,410	212,143	243,143
Taxes and licenses		124,587	127,425	131,871
Communication, light and water		107,041	98,156	130,425
Others	9	91,053	114,391	94,192
		₱9,490,646	₱10,976,738	₱7,164,185

23. Operating Expenses

General and Administrative Expenses

The components of general and administrative expenses are as follows:

	Note	2017	2016	2015
Personnel costs	24	₱399,888	₱305,323	₱389,742
Taxes and licenses		117,571	92,986	180,950
Outside services		113,797	117,003	102,782
Provision for probable losses	16, 28	74,572	22,000	–
Depreciation and amortization	12	71,753	69,298	45,168
Insurance		42,604	34,629	34,871
Professional fees		32,539	31,802	36,839
Rent	28	27,951	27,867	14,422
Travel and transportation		22,545	29,334	27,523

(Forward)

	Note	2017	2016	2015
Communication, light and water		₱20,809	₱33,403	₱10,599
Repairs and maintenance		14,566	14,982	10,798
Materials and consumables		6,029	7,733	5,306
Corporate social responsibility		5,161	7,024	13,427
Provision for (reversal of provision for) impairment losses on receivables	8	(9,257)	5,831	1,386
Entertainment, amusement, recreation		3,860	4,082	3,394
Organizational activities		15,337	13,273	11,833
Others	9	48,223	79,629	111,915
		₱1,007,948	₱896,199	₱1,000,955

Others mainly pertain to training and development, transfer cost and bank charges.

Selling Expenses

Selling expenses mainly pertains to delivery charges, sugar liens and dues and monitoring fees totaling ₱57.9 million, ₱69.4 million and ₱63.0 million in 2017, 2016 and 2015, respectively representing mandatory fees paid to various regulatory agencies prior to sale of sugar.

24. Personnel Costs

Personnel costs include:

	Note	2017	2016	2015
Salaries, wages, allowances and other employee benefits		₱742,365	₱604,515	₱664,713
Retirement benefits	17	65,951	48,733	44,861
Employee stock option	20	5,257	1,440	35,053
		₱813,573	₱654,688	₱744,627

The amount of personnel costs are allocated as follows:

	Note	2017	2016	2015
Cost of sales	22	₱413,685	₱349,365	₱354,885
General and administrative expenses	23	399,888	305,323	389,742
		₱813,573	₱654,688	₱744,627

25. Other Income

This account consists of:

	Note	2017	2016	2015
Storage, handling and insurance fees		**₱36,956**	₱36,563	₱51,878
Sales of scrap		**20,913**	3,124	15,301
Unrealized gain on fair value adjustment of investment properties	13	**13,406**	27,529	–
Rent income	8	**8,575**	13,075	6,649
Interest income	7, 8	**3,384**	3,401	2,558
Others		**10,561**	5,813	7,974
		₱93,795	₱89,505	₱84,360

Other income - others in 2017 mainly pertains to sale of woodchips and reversals of various accruals.

26. Income Taxes

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

		2017		2016	
	Note	Net Deferred Tax Assets[1]	Net Deferred Tax Liabilities[2]	Net Deferred Tax Assets[1]	Net Deferred Tax Liabilities[2]
Deferred tax assets on:					
NOLCO		**₱153,762**	**₱48,246**	₱158,541	₱55,863
Retirement liabilities	17	**90,959**	**279**	94,480	215
Various accruals		**41,451**	**13,759**	45,408	8,544
Unamortized past service cost		**29,308**	**–**	36,232	–
Allowances for:					
Impairment losses of receivables	8	**26,150**	**–**	24,160	–
Inventory losses and obsolescence	9	**9,011**	**–**	7,870	–
Impairment loss on CWT		**–**	**–**	3,663	–
Excess MCIT		**33,725**	**5,845**	6,613	1,110
Employee stock option		**13,910**	**4,271**	12,678	3,560
Customer's deposits		**2,064**	**–**	2,243	–
		400,340	**72,400**	391,888	69,292
Deferred tax liabilities on:					
Unamortized capitalized interest	12	**(73,153)**	**(4,678)**	(83,094)	(4,974)
Revaluation increment on land, depreciable assets, and asset transferred to subsidiaries		**(51,154)**	**(1,227,815)**	(48,209)	(1,166,065)
Unamortized transaction cost		**(4,947)**	**(462)**	(5,128)	(595)
Retirement assets	17	**(247)**	**(18,530)**	(2,420)	(29,300)
Deferred milling costs		**–**	**(1,056)**	–	–
		(129,501)	**(1,252,541)**	(138,851)	(1,200,934)
Net deferred tax assets (liabilities)		**₱270,839**	**(₱1,180,141)**	₱253,037	(₱1,131,642)

[1] Recognized net deferred tax assets of CADPI, CACI, RBC and RPBC
[2] Recognized net deferred tax liabilities of RHI, NAVI and SCBI

Details of other deductible temporary differences for which no deferred tax assets were recognized as management believes that it may not be probable that sufficient future taxable

profits will be available against which the other deductible temporary differences can be utilized are as follows:

	2017	2016
NOLCO	**₱34,242**	₱–
Allowance for impairment losses of receivables	**4,716**	5,977
Provision for inventory losses and obsolescence	**3,752**	3,752
	₱42,710	₱9,729

b. Details of carry forward benefits arising from NOLCO and excess MCIT are as follows:

NOLCO

Year Incurred	Balance as at September 30, 2016	Additions	Applied	Balance as at September 30, 2017	Available Until
Recognized:					
September 30, 2017	₱–	₱94,671	₱–	₱94,671	September 30, 2020
September 30, 2016	512,664	–	21,518	491,146	September 30, 2019
September 30, 2015	202,016	–	80,231	121,785	September 30, 2018
	₱714,680	₱94,671	₱101,749	₱707,602	

Excess MCIT

Year Incurred	Balance as at September 30, 2016	Additions	Applied	Balance as at September 30, 2017	Available Until
Recognized:					
September 30, 2017	₱–	₱31,847	₱–	₱31,847	September 30, 2019
September 30, 2016	1,599	–	–	1,599	September 30, 2019
September 30, 2015	6,124	–	–	6,124	September 30, 2018
	₱7,723	₱31,847	₱–	₱39,570	

c. The reconciliation between the income tax expense (benefit) computed at the applicable statutory tax rate and income tax expense (benefit) presented in the consolidated statements of income is as follows:

	2017	2016	2015
Income tax expense (benefit) at statutory tax rate	**₱32,519**	₱8,055	(₱21,689)
Tax effects of:			
Net income subject to income tax holiday (ITH)	**(58,482)**	(23,482)	(63,227)
Share in net earnings of an associate	**(20,333)**	(63,677)	(40,327)
Nondeductible expenses	**16,864**	17,726	25,829
Interest subject to final tax	**(1,015)**	(361)	(390)
Effect of 5% statutory tax rate of SCBI	**1,704**	(10,873)	(7,348)
Unallowable interest expense	**68**	53	40
Adjustments resulting from derecognition of deferred tax assets	**8,604**	–	–
Others	**8,427**	(2,182)	16,261
	(₱11,644)	(₱74,741)	(₱90,851)

The current income tax expense of the Group in 2017, 2016 and 2015 pertains to RCIT, or MCIT, whichever is higher, except for RBC and SCBI, which are entitled to ITH and 5% gross income tax, respectively.

d. Registration with the Board of Investments (BOI) of RBC

On October 24, 2008, the BOI approved the registration of RBC as a New Producer of Bioethanol (Anhydrous) and Potable (Hydrous) Ethanol on a Pioneer and Non-Pioneer Status under the Omnibus Investments Code of 1987 or Executive Order (E.O.) No.226. Under the terms of its registration, RBC is required to achieve certain production and sales volume for both anhydrous and hydrous ethanol.

On October 22, 2014, the BOI approved the amendment of registration of RBC from a New Producer of Bioethanol (Anhydrous) under E.O. No. 226 to Renewable Energy (R.E.) Developer of Biomass Resources under the Republic Act (R.A.) No. 9513. The registration as a New Producer of Potable Ethanol is maintained under E.O. No. 226.

As a registered enterprise, RBC is entitled to certain tax incentives, which include, among others:

- ITH for the first seven years from the start of commercial operations;
- Duty-free importation of machinery, equipment and materials including control and communication equipment within the first ten years from the issuance of the BOI certificate of registration until October 23, 2018;
- Realty and other taxes on civil works, equipment, machinery, and other improvements actually and exclusively used for R. E. facilities shall not exceed one and a half (1.5%) of the original cost less accumulated depreciation or net book value;
- NOLCO during the first three years from the start of commercial operation shall be carried over as a deduction from gross income for the next seven consecutive taxable years immediately following the year of such loss is unused;
- Corporate tax rate of 10% on its net taxable income after seven years of ITH;
- If RBC did not avail of the ITH, the plant, machinery and equipment that are reasonably needed and actually used for the exploration, development and utilization of R. E. resources may be depreciated using a rate not exceeding twice the rate which would have been used had the annual allowance been computed; and
- Zero percent value-added tax rate on its purchase of local supply of goods, properties and services needed for the development, construction and installation of its plant facilities.

Under the terms of its registration, RBC is required to achieve certain production and sales volume for ethanol.

Total tax incentives availed of amounted to ₱18.5 million, ₱7.7 million and ₱62.0 million in 2017, 2016 and 2015, respectively.

e. Income Tax Regime of SCBI

SCBI is registered with the Philippine Economic Zone Authority (PEZA) as an Agro-industrial Ecozone Enterprise under Registration Certificate No.09-01-AI dated September 23, 2009.

The following are the mutual covenants and undertaking of SCBI pursuant to Registration Agreement with the PEZA:

i. The registration as an Agro-Industrial Ecozone Enterprise entitles SCBI to conduct and operate its business inside the San Carlos Ecozone.

ii. The scope of SCBI's registered activity is limited to the production of bioethanol fuel and its by-products, power/electricity, carbon dioxide, and carbon emission reduction (known as carbon credits) and importation of raw materials, machinery, equipment, tools, goods, wares, articles or merchandise directly used in its registered operations at the San Carlos Ecozone.

iii. SCBI is not entitled to a separate ITH incentive. The incentives entitlement of SCBI is the remaining ITH period granted in its registration with the BOI until December 2014. Upon expiry of the ITH under BOI registration, SCBI is entitled to the 5% Gross Income Tax (GIT) incentive, in lieu of paying of all local and national internal revenue taxes, and other incentives under Article 77, Book VI of E.O. No. 226.

The PEZA approved SCBI's amendment in its registered activity to include the production of syrup from sugarcane, which will be subjected to 5% gross income tax, until October 1, 2015. The results of operations from said registered product thereafter is subjected to national taxes.

27. Earnings per Share

Earnings per share is computed as follows:

	2017		2016		2015	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Net income attributable to the equity holders of the Parent Company (a)	₱119,777	₱119,777	₱101,244	₱101,244	₱10,832	₱10,832
Weighted average number of common shares outstanding for basic EPS	1,449,038	1,449,038	1,421,798	1,421,798	1,151,645	1,151,645
Average incremental number of shares under ESOP	–	29,867	–	18,716	–	34,784
Weighted average number of common shares adjusted for effect of dilution (b)	1,449,038	1,478,905	1,421,798	1,440,514	1,151,645	1,186,429
Earnings per share (a/b)	₱0.08	₱0.08	₱0.07	₱0.07	₱0.01	₱0.01

28. Commitments and Contingencies

a. Milling Contracts

CACI and CADPI (the "Mills") have milling contracts with the planters, which provide for a 35% and 65% sharing between the Mills and the planters, respectively, of sugar, molasses and other sugar cane by-products, excluding bagasse, produced every crop year.

In June 2015, milling contracts of CADPI with the planters were revised to provide for a 33% and 67% sharing between CADPI and the planters, respectively. This agreement is effective until crop year 2016 to 2017. Renewal is upon mutual consent of both parties thereafter.

b. The Group has in its custody the following raw and refined sugar owned by third parties:

	2017		2016	
	Total Volume *(in Thousands)* *(LKg*)*	**Estimated Market Value** *(Amounts in Millions)*	Total Volume *(in Thousands)* *(LKg*)*	Estimated Market Value *(Amounts in Millions)*
Raw sugar	**426**	**₱511**	40	₱64
Refined sugar	**443**	**841**	254	559

**Equivalent to 50 kilogram bag unit.*

The foregoing volume of sugar is not reflected in the consolidated statements of financial position since these are not considered as assets of the Group. These raw sugar held on behalf of the third parties are also supported by quedans. The Group is accountable to the third parties for the value of trusted sugar or their sales proceeds.

c. Sales Contracts

CADPI and RBC entered into various sales contracts with its major customers for the sale of raw sugar, refined sugar and molasses. Outstanding sales contracts for refined sugar amounted to ₱765.0 million for 335,773 lkg bags, ₱575.6 million for 231,622 lkg bags and ₱1,362.0 million for 679,258 lkg bags as at September 30, 2017, 2016 and 2015, respectively, and ₱897.8 million for 19,240,000 liters liters, ₱63.8 million for 1,051,000 liters and ₱0.1 million for 500 liters for anhydrous alcohol as at September 30, 2017, 2016 and 2015, respectively.

d. Crop Loan and Contract Growing Agreements

RABDC entered into crop loan and contract growing agreements with various planters for the scheduled delivery of sugar cane for the crop year 2016 to 2017. These agreements are effective as at September 30, 2016. Advances made to planters related to these agreements as at September 30, 2017 and 2016 amounted to ₱23.6 million and ₱144.3 million, respectively, which are included as part of "Due from planters and cane haulers" under "Trade and other receivables" account (see Note 8).

e. Leases

The Group has various lease agreements for a period of one year covering heavy loading equipment and service vehicles with various trucking and heavy equipment service companies, which are used in transloading, hauling and other milling operations. The lease agreements are renewable annually upon mutual consent of both parties.

Moreover, the Group, as a lessee, leases its office space from a third party for a period of five years until May 31, 2021, which is renewable upon mutual agreement of the parties.

Future minimum lease payments on its office space as at September 30, 2017 are as follow:

Within one year	₱15,939
After one year but not more than five years	48,845
	₱64,784

Total rent expense from the related contracts amounted to ₱210.8 million, ₱184.4 million and ₱117.0 million in 2017, 2016 and 2015, respectively.

f. Hauling Services Contracts

The Group has an agreement for hauling services for the transport of sugarcane from the plantations to milling facilities. Related hauling expenses, which are presented as part of "Planters' subsidy and productivity assistance" account under "Cost of goods sold", amounted to ₱1,034.0 million, ₱1,343.6 million and ₱1,025.7 million in 2017, 2016 and 2015, respectively (see Note 22).

g. Emission Reduction Purchase Agreement (ERPA)

On January 14, 2009, RBC and World Bank Group signed a $3.2 million ERPA for the purchase of carbon emission credits under the Clean Development Mechanism of the Kyoto Protocol. The ERPA will also avoid at least 50,000 metric tons of carbon dioxide each year with a crediting period of 10 years starting 2010. As part of the ERPA, portion of the revenue for the purchase of the credits will be used to finance the RBC's community development projects.

h. Fuel Ethanol Supply Agreement (FESA)

SCBI has an existing FESA with Petron Corporation, wherein SCBI will exclusively supply fuel ethanol from the integrated ethanol distillery to Petron Corporation for a period of 10 years until 2018. The pricing, delivery, acceptance and payment terms are set out in the FESA.

i. Unused Credit Lines

The Group has unused lines of credit with various local banks amounting to ₱800.0 million and ₱1,935.7 million as at September 30, 2017 and 2016, respectively.

j. Contingencies

The Group has several pending claims and assessments. The ultimate outcome of which, based on management's and legal counsel's opinion, will not have a material impact on the consolidated statements of financial position and the consolidated statements of comprehensive income, except for certain disputed claims.

Outstanding provision for losses for disputed claims and assessments amounted to ₱96.6 million and ₱22.0 million as at September 30, 2017 and 2016, presented under "Trade and other payables" account (see Note 16).

29. Financial Instruments

Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents, trade and other receivables, and trade and other payables, which arise directly from its operations, and short and long-term borrowings. The Group has other financial instruments such as restricted cash and dividends payable.

The main risks arising from the Group's financial instruments are liquidity risk, credit risk and interest rate risk. The Group monitors the market price risk arising from all financial instruments. The Group's operations are also exposed to commodity price risk, particularly from sugar prices. Risk management is carried out by senior management under the guidance and direction of the BOD of the Parent Company.

Liquidity risk

Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet maturing obligations.

The Group's objective is to maintain sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the business, the Group aims to maintain flexibility in funding by keeping track of daily cash flows and maintaining committed credit lines available.

The tables below summarize the maturity profile of the Group's financial liabilities based on contractual undiscounted payments and the related financial assets used for liquidity management.

	2017						
	On Demand	Less than One Year	Over One to Two Years	Over Two to Four Years	Over Four to Five Years	Over Five Years	Total
Short-term borrowings*	₱4,840,424	₱–	₱–	₱–	₱–	₱–	₱4,840,424
Trade and other payables**	767,466	294,576	–	–	–	–	1,062,042
Current portion of long-term borrowings*	–	1,729,101	–	–	–	–	1,729,101
Noncurrent portion of long-term borrowings*	–	–	2,706,374	1,637,604	694,777	–	5,038,755
	₱5,607,890	₱2,023,677	₱2,706,374	₱1,637,604	₱694,777	₱–	₱12,670,322
Cash and cash equivalents	₱570,337	₱–	₱–	₱–	₱–	₱–	₱570,337
Trade receivables***	440,516	1,554,504	–	–	–	–	1,995,020
Due from employees***	61,345	–	–	–	–	–	61,345
Due from related parties	57,821	–	–	–	–	–	57,821
Other receivables***	59,577	–	–	–	–	–	59,577
	₱1,189,596	₱1,554,504	₱–	₱–	₱–	₱–	₱2,744,100

**Includes expected future interest payments for short-term and long-term borrowings amounting to ₱232.1 million and ₱712.5 million, respectively.*
*** Excludes payables to government agencies amounting to ₱30.0 million and provision for losses amounting to ₱96.6 million.*
****Net of related allowances for impairment losses totaling ₱29.5 million.*

	2016						
	On Demand	Less than One Year	Over One to Two Years	Over Two to Four Years	Over Four to Five Years	Over Five Years	Total
Short-term borrowings*	₱3,137,939	₱–	₱–	₱–	₱–	₱–	₱3,137,939
Trade and other payables**	769,981	249,862	–	–	–	–	1,019,843
Current portion of long-term borrowings*	–	603,536	–	–	–	–	603,536
Noncurrent portion of long-term borrowings*	–	337,103	1,747,133	2,706,374	1,267,909	1,000,901	7,059,420
	₱3,907,920	₱1,190,501	₱1,747,133	₱2,706,374	₱1,267,909	₱1,000,901	₱11,820,738
Cash and cash equivalents	₱703,910	₱–	₱–	₱–	₱–	₱–	₱703,910
Trade receivables***	516,194	334,041	–	–	–	–	850,235
Dividend receivable	102,492	–	–	–	–	–	102,492
Due from employees***	45,181	13,091	–	–	–	–	58,272
Due from related parties	21,956	15,569	–	–	–	–	37,525
Other receivables***	44,797	28,470	–	–	–	–	73,267
	₱1,434,530	₱391,171	₱–	₱–	₱–	₱–	₱1,825,701

**Includes expected future interest payments for short-term and long-term borrowings amounting to ₱223.6 million and ₱623.9 million, respectively.*
*** Excludes payables to government agencies amounting to ₱30.1 million and provision for losses amounting to ₱22.0 million.*
****Net of related allowances for impairment losses totaling ₱48.8 million.*

Credit risk

Credit risk is the risk that the Group will incur financial loss through default by counterparties in performing their obligations.

Concentration of credit risk with respect to trade receivables is limited due to the large number of customers comprising the Group's customer base and their dispersion across different geographic

areas. It has policies in place to ensure that sales of goods are made to customers with an appropriate credit history.

The Group has established a credit quality review process to provide early identification of possible change in the creditworthiness of counterparties, including regular collateral revisions.

Counterparty credit limits are established by the use of a credit risk classification system, which assigns each counterparty a qualitative risk rating. Risk ratings are subject to regular revision. The credit quality review process allows the Group to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements
The table below shows the maximum exposure to credit risk of the Group shown at gross before the effect of mitigation through collateral agreements.

	2017	2016
Cash and cash equivalents	**₱570,337**	₱703,910
Trade receivables*	**1,995,020**	850,235
Due from employees*	**61,345**	58,272
Due from related parties	**57,821**	37,525
Dividend receivable	**–**	102,492
Other receivables*	**59,577**	73,267
	₱2,744,100	₱1,825,701

**Net of allowance for impairment losses totaling ₱29.5 million and ₱48.8 million in 2017 and 2016, respectively.*

Collaterals and other credit enhancements
The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters. As at September 30, 2017 and 2016, the Group did not hold collateral from any counterparty.

Credit quality per class of financial assets
The credit quality of receivables is managed by the Group through its Marketing Department. High grade accounts are those receivables from counterparties with whom collections are made without much effort. Standard grade accounts consist of receivables from its distributors, related parties and employees with good financial condition and with relatively low defaults. Substandard grade accounts, on the other hand, are receivables from other counterparties with history of defaulted payments.

The tables below show the credit quality of financial assets which are neither past due nor impaired and an aging analysis of past due but not impaired accounts.

	2017							
	Neither past due nor impaired			Past due but not impaired				
	High Grade	Standard Grade	Substandard Grade	Over 30 Days	Over 90 Days	Over 180 Days	Impaired	Total
Cash and cash equivalents	₱570,337	₱–	₱–	₱–	₱–	₱–	₱–	₱570,337
Trade receivables	617,010	1,179,467	–	78,312	31,009	89,223	18,731	2,013,752
Due from employees	–	61,345	–	–	–	–	1,929	63,274
Due from related parties	–	57,821	–	–	–	–	–	57,821
Other receivables	–	–	–	–	–	59,577	8,858	68,435
	₱1,187,347	₱1,298,633	₱–	₱78,312	₱31,009	₱148,800	₱29,518	₱2,773,619

	2016							
	Neither past due nor impaired			Past due but not impaired				
	High Grade	Standard Grade	Substandard Grade	Over 30 Days	Over 90 Days	Over 180 Days	Impaired	Total
Cash and cash equivalents	₱703,910	₱–	₱–	₱–	₱–	₱–	₱–	₱703,910
Trade receivables	19,489	35,801	–	211,483	178,075	405,387	39,176	889,411
Dividend receivable	102,492	–	–	–	–	–	–	102,492
Due from employees	–	16,079	–	11,302	30,891	–	733	59,005
Due from related parties	–	18,074	–	12,910	6,541	–	–	37,525
Other receivables	–	52,556	–	–	1,127	19,584	8,858	82,125
	₱825,891	₱122,510	₱–	₱235,695	₱216,634	₱424,971	₱48,767	₱1,874,468

Impairment assessment

The main consideration for impairment assessment includes whether there are known difficulties in the cash flow of the counterparties. The Group assesses impairment in two ways: individually and collectively.

First, the Group determines allowance for each significant receivable on an individual basis. Among the items that the Group considers in assessing impairment is the inability to collect from the counterparty based on the contractual terms of the receivables. Receivables included in the specific assessment are the accounts that have been endorsed to the legal department, non-moving accounts receivable and other accounts of defaulted counterparties.

For collective assessment, allowances are assessed for receivables that are not individually significant and for individually significant receivables where there is no objective evidence of individual impairment. Impairment losses are estimated by taking into consideration the age of the receivables, past collection experience and other factors that may affect their collectibility.

Commodity price risk

The Group is exposed to commodity price risk from conventional physical sales and purchase of sugar and alcohol managed through volume, timing and relationship strategies. The Group does not enter into commodity derivatives.

The Group's sales commitments are contracted at fixed prices, and thus have no impact on the consolidated cash flows in the next 12 months.

Interest rate risk

The primary source of the Group's interest rate risk relates to interest-bearing financial liabilities. The interest rates on these liabilities are disclosed in Notes 14 and 15.

The loans amounting to ₱1,400.0 million and ₱356.3 million as at September 30, 2017 and 2016, respectively, bear floating interest and expose the Group to interest rate risk.

The following table demonstrates the sensitivity analysis to a reasonably possible change in interest rates, with all other variables held constant, of the Group's income before income tax (through the impact of floating rate borrowings) and equity in 2017 and 2016. The estimates are based on the outstanding interest bearing liabilities of the Group with floating interest rate as at September 30, 2017 and 2016.

	2017		2016	
Increase (Decrease)	**Effect on Income before Tax**	**Effect on Equity**	Effect on Income before Tax	Effect on Equity
0.25%	**(₱3,500)**	**(₱2,450)**	(₱890)	(₱623)
(0.25%)	**3,500**	**2,450**	890	623

Interest on financial liabilities with fixed interest rate is fixed until the maturity of the instrument (see Notes 14 and 15).

The other financial instruments of the Group that are not included in the foregoing tables are noninterest-bearing and are therefore not subject to interest rate risk.

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains strong credit and healthy capital ratios in order to support its business and maximize shareholder value.

The Group's dividend declaration is dependent on availability of earnings and operating requirements. The Group manages its capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for the years ended September 30, 2017 and 2016.

Management considers the total consolidated equity reflected in the consolidated statement of financial position as its capital. The Group monitors its use of capital using leverage ratios, specifically, debt-to-equity ratio. It also monitors its DSCR to ensure that there would be sufficient amount of cash flow available to meet annual interest and principal payments on debt.

The Group is required to maintain a maximum debt-to-equity ratio of 2.33:1 and minimum DSCR of 1.25:1 by its creditor banks. The Group has the following ratio:

	2017	2016
Total liabilities	**₱13,352,065**	₱11,884,405
Total equity	**10,544,108**	9,773,619
Total liabilities and equity	**₱23,896,173**	₱21,658,024
Debt-to-equity ratio	**1.27:1.00**	1.22:1.00

	2017	2016
Core earnings before interest, taxes, depreciation and amortization	**₱1,623,973**	₱1,337,133
Interest expense	**444,257**	382,770
Principal repayments	**379,900**	160,143
DSCR	**1.97:1**	2.47:1

30. Fair Value Measurement

The Group has assets and liabilities that are measured at fair value on a recurring basis in the consolidated statements of financial position after initial recognition. Recurring fair value measurements are those that another PFRS requires or permits to be recognized in the consolidated statements of financial position at the end of each reporting period. These include investment properties and land under property and equipment at revalued amount.

The Group does not have nonrecurring fair value measurements in the consolidated financial statements. The Group's management determines the policies and procedures for recurring fair value measurement.

External valuers are involved for valuation of significant assets which are investment properties and land under property 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 carrying amounts of the Group's financial assets and liabilities approximate their fair values due to their short-term nature or the interest rates that they carry approximate the interest rate on comparable instruments in the market. For the long term loans, these are subject to both fixed and floating rates.

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

Cash and cash equivalents, trade receivables, due from planters and cane haulers, due to and from related parties, due from employees, other receivables, trade and other payable and short-term borrowings, current portion of long-term borrowings and dividends payable. The carrying amounts of these instruments approximate fair values due to their short-term maturities.

Long-term borrowings. The carrying value of long-term borrowings as at September 30, 2017 and 2016 approximates its fair value as they carry interest rates of comparable instruments in the market.

The following tables present fair value hierarchy of the Group's financial liabilities, investment properties and land under property, plant and equipment:

		Fair Value Significant observable inputs
Date of valuation: various dates in September 2017	**Carrying Value**	**(Level 2)**
Assets measured at fair value		
Land under property, plant and equipment (see Note 12)	**₱4,746,047**	**₱4,746,047**
Investment properties (see Note 13)	**349,267**	**349,267**

Date of valuation: various dates in September 2016	Carrying Value	Fair Value Significant observable inputs (Level 2)
Assets measured at fair value		
Land under property, plant and equipment (see Note 12)	₱4,379,780	₱4,379,780
Investment properties (see Note 13)	320,812	320,812

31. Segment Reporting

The Group has two reportable segments: sugar and alcohol. The Group's sugar segment consists of four operating subsidiaries: CADPI, CACI, NAVI and RABDC that manufacture and sell raw and refined sugar, molasses and provides tolling and farm operations services. The alcohol segment consists of two operating subsidiaries: RBC and SCBI that manufactures and sells bio-ethanol fuel.

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

The Group's senior management regularly reviews the operating results of the business units to make decisions on resource allocation and assess performance. Segment revenue and segment expenses are measured in accordance with PFRS. The presentation and classification of segment revenue and segment expenses are consistent with the consolidated statements of income.

In 2017, 2016 and 2015, ₱4,473.4 million (or 41%), ₱4,167.9 million (or 35%) and ₱3,238.3 million (or 40%), respectively, of the Group's total revenue were derived from two customers.

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

	2017			
	Sugar	Alcohol	Eliminations	Consolidated
Revenue:				
External customers	₱7,219,779	₱3,727,754	₱–	₱10,947,533
Inter-segment	2,631,030	845,996	(3,477,026)	–
Cost of goods sold:	5,403,078	3,241,005	(3,449,419)	5,194,664
Direct materials used	974,000	60,022	–	1,034,022
Planters' subsidy and productivity assistance	367,899	342,748	–	710,647
Fuel and oil	640,631	238,455	–	879,086
Depreciation and amortization	502,305	4,329	(62,377)	444,257
Interest expense	80,919	181,652	(142,531)	120,040
Segment profit (loss)				
Other disclosures:				
Capital expenditures	718,473	415,756	–	1,134,229
Investment in associate	259,907	–	346,861	606,768

	2016			
	Sugar	Alcohol	Elimnations	Consolidated
Revenue:				
External customers	₱7,848,282	₱4,201,952	₱–	₱12,050,234
Inter-segment	2,541,083	31,419	(2,572,502)	–
Cost of goods sold:				
Direct materials used	6,219,498	2,596,195	(2,570,271)	6,245,422
Planters' subsidy and productivity assistance	1,333,338	10,288	–	1,343,626
Fuel and oil	437,911	553,929	–	991,840
Depreciation and amortization	643,842	206,518	7,855	858,215
Interest expense	305,306	77,464	–	382,770
Segment profit (loss)	63,634	37,957	–	101,591
Other disclosures:				
Capital expenditures	709,507	223,340	–	932,847
Investment in associate	259,907	–	388,961	648,868

	2015			
	Sugar	Alcohol	Eliminations	Consolidated
Revenue:				
External customers	₱5,615,561	₱2,592,835	₱–	₱8,208,396
Inter-segment	2,565,211	–	(2,565,211)	–
Cost of goods sold:				
Direct materials used	3,820,992	1,711,945	(2,325,676)	3,207,261
Planter's subsidy and productivity assistance	1,025,722	–	–	1,025,722
Fuel and oil	437,052	334,137	–	771,189
Depreciation and amortization	619,211	130,330	2,526	752,067
Interest expense	264,692	6,663	–	271,355
Segment profit (loss)	(30,845)	49,398	–	18,553
Other disclosures:				
Capital expenditures	700,922	411,534	–	1,112,456
Investment in associate	259,907	–	414,693	674,600

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BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

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26th cor. 3rd Avenue, Bonifacio Global City
Taguig, Metro Manila

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Roxas Holdings, Inc. and subsidiaries as at and for the year ended September 30, 2017, included in this Form 17-A, and have issued our report thereon dated December 6, 2017. 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 Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) 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.

Aileen L. Saringan
Partner
CPA Certificate No. 72557
SEC Accreditation No. 0096-AR-4 (Group A),
August 18, 2016, valid until August 18, 2019
Tax Identification No. 102-089-397
BIR Accreditation No. 08-001998-58-2015
February 27, 2015, valid until February 26, 2018
PTR No. 5908758, January 3, 2017, Makati City

December 6, 2017

ROXAS HOLDINGS, INC. AND SUBSIDIARIES
Index to the Consolidated Financial Statements
As at and For the Year Ended September 30, 2017

Schedule I : Supplementary schedules required by Annex 68-E

Schedule	Description
A	Financial Assets
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)
C	Amounts Receivable from Related Parties which are eliminated during the consolidation of the financial statements
D	Intangible Assets – Other Assets
E	Long-term Borrowings
F	Indebtedness to Related Parties (Long-term Loans from Related Companies) – N/A
G	Guarantees of Securities of Other Issuers – N/A
H	Capital Stock

Schedule II : Supplementary schedules of financial soundness indicators

Schedule III : Schedule of all effective standards and interpretation (Part 1, 4J)

Schedule IV : Map of the relationships of the companies within the group

Schedule V : Reconciliation of Retained Earnings Available for Dividend Declaration (Part 1, 4C, Annex 68-C)

N/A – Not applicable

SCHEDULE I

ROXAS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE A
FINANCIAL ASSETS
SEPTEMBER 30, 2017
(Amounts in Thousands)

Description	Carrying Value	Fair Value
Cash on hand	₱1,040	₱1,040
Loans and receivables:		
Cash in banks	570,337	570,337
Trade receivables*	1,995,021	1,995,021
Due from employees*	61,345	61,345
Due from related parties	57,821	57,821
Others*	59,577	59,577
	₱2,745,141	₱2,745,141

**Net of related allowance for impairment losses totaling to ₱29.5 million.*

SCHEDULE I

ROXAS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE B

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

SEPTEMBER 30, 2017

(Amounts in Thousands)

Name and designation of debtor	Balance at beginning of year	Additions	Amounts collected	Amounts written off	Current	Noncurrent	Balance at end of year
Various employees (educational loans/advances)	₱59,005	₱75,946	(₱71,677)	₱–	₱63,274	₱–	₱63,274

SCHEDULE I

ROXAS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE C

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

SEPTEMBER 30, 2017

(Amounts in Thousands)

Debtor	Name and designation of creditor	Balance at beginning of year	Additions	Amounts collected	Amounts written off	Current	Noncurrent	Balance at end of year
Intercompany trade transactions								
Roxas Holdings, Inc. (RHI)	Central Azucarera Don Pedro, Inc. (CADPI)	₱50	₱161	(₱195)	₱–	₱16	₱–	₱16
CADPI	RHI	–	52,335	–	–	52,335	–	52,335
	Central Azucarera De La Carlota, Inc. (CACI)	38,551	1,618,275	(1,223,601)	–	433,225	–	433,225
	RHI-Agribusiness Development Corp. (RHIADC)	–	1,826	(1,825)	–	1	–	1
CACI	CADPI	2,414	295,789	(225,999)	–	72,204	–	72,204
	RHIADC	–	16,481	(15,901)	–	580	–	580
Roxol Bioenergy Corp. (RBC)	CADPI	50	202,896	(171,534)	–	31,412	–	31,412
	CACI	334,835	656,076	(977,441)	–	13,470	–	13,470
San Carlos Bioenergy, Corp (SCBI)	CADPI	50	161	(195)	–	16	–	16
	RBC	–	872,176	(791,664)	–	80,512	–	80,512
RHIADC	CADPI	50	161	(192)	–	19	–	19
		376,000	3,716,337	(3,408,547)	–	683,790	–	683,790
Intercompany non-trade transactions								
RHI	CADPI	2,085,559	3,875,667	(2,399,658)	–	3,561,568	–	3,561,568
	Roxas Power Corporation (RPC)	389	–	–	–	389	–	389

(Forward)

Debtor	Name and designation of creditor	Balance at beginning of year	Additions	Amounts collected	Amounts written off	Current	Noncurrent	Balance at end of year
CADPI	RHI	₱158	₱–	(₱158)	₱–	₱–	₱–	₱–
	CACII	–	1,851,129	(34,815)	–	1,816,314	–	1,816,314
CACI	RHI	443,805	4,060,044	(2,206,300)	–	2,297,549	–	2,297,549
	Najalin Agri-Ventures, Inc. (NAVI)	399	–	(399)	–	–	–	–
SCBI	CADPI	2,221	–	(45)	–	2,176	–	2,176
	Roxas Pacific Bioenergy, Inc. (RPBC)	1,088,063	–	–	–	1,088,063	–	1,088,063
	RHI	1,339,841	1,333,106	(1,354,600)	–	1,318,347	–	1,318,347
RBC	RHI	568,447	1,510,007	(849,800)	–	1,228,654	–	1,228,654
RPBC	RHI	1,920,016	827,502	(377,083)	–	2,370,435	–	2,370,435
RHIADC	RHI	248,395	99,731	(137,385)	–	210,741	–	210,741
	SCBI	–	7	–	–	7	–	7
CADPI Insurance Agency, Inc.(CADPIAI)	RHI	621	–	–	–	621	–	621
CADPI Port Services, Inc. (CADPSI)	RHI	397	–	–	–	397	–	397
NAVI	RHI	34,104	48,306	(9,302)	–	73,108	–	73,108
		7,732,415	13,605,499	(7,369,545)	–	13,968,369	–	13,968,369
		₱8,108,415	₱17,321,836	(₱10,778,092)	₱–	₱14,652,159	₱–	₱14,652,159

SCHEDULE I

ROXAS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE D

INTANGIBLE ASSETS – OTHER ASSETS

SEPTEMBER 30, 2017

(Amounts in Thousands)

Description	Beginning balance	Additions at cost	Amortization	Charged to other accounts	Other changes additions (deductions)	Ending balance
Goodwill	₱1,079,615	₱–	₱–	₱–	₱–	₱1,079,615
Software cost*	38,151	16,104	(24,177)	–	(21,015)	9,063
	₱1,117,766	₱16,104	(₱24,177)	₱–	(₱21,015)	₱1,088,678

**Software cost included under "Other noncurrent assets" account.*

SCHEDULE I

ROXAS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE E

LONG-TERM BORROWINGS

SEPTEMBER 30, 2017

(Amounts in Thousands)

Date Availed	Terms	Amount shown under "Current portion of long-term borrowings" account in the consolidated statement of financial position	Amount shown under "Long-term borrowings" account in the consolidated statement of financial position
Oct 29, 2008	Payable quarterly	₱43	₱–
Aug 12, 2009	Payable quarterly	43	–
May 5, 2008	Payable quarterly	64	–
Feb 12, 2010	Payable quarterly	43	–
Sept 10, 2014	Payable quarterly starting Sept 10, 2017	196,000	979,010
Dec 1, 2016	Payable quarterly starting Dec 1, 2017	266,672	1,127,932
Aug 12, 2016	Payable quarterly starting Nov 12, 2017	400,000	398,093
May 5, 2008	Payable in full upon maturity	300	–
Aug 10, 2009	Payable in full upon maturity	100	–
Oct 29, 2008	Payable in full upon maturity	200	–
Feb 12, 2010	Payable in full upon maturity	100	–
Aug 5, 2014	Payable quarterly starting Nov 5, 2016	330,625	1,977,041
Sept 10, 2014	Payable quarterly starting Dec 10, 2017	40,555	338,416
Jan 1, 2009	Payable quarterly	21	–
June 17, 2011	Payable quarterly	15	40
June 14, 2016	Payable quarterly	22	–
		₱1,234,803	₱4,820,532*

**Net of transaction cost*

Details are discussed in Note 15 to consolidated financial statements.

SCHEDULE I

ROXAS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE H
CAPITAL STOCK
SEPTEMBER 30, 2017

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under "capital stock" account in the consolidated statement of financial position	Number of shares reserved for options, warrants, conversion, and other rights	Number of shares held by related parties	Directors and officers	Others
Common shares - "Class A" at ₱1 par value	2,000,000,000	1,546,955,666	65,000,000	1,354,814,105	1,525,507	190,616,054

SCHEDULE II

ROXAS HOLDINGS, INC. AND SUBSIDIARIES

FINANCIAL SOUNDNESS INDICATORS

SEPTEMBER 30, 2017 and 2016

	2017	2016
Financial Ratios required under Loan Covenants		
Debt to Equity Ratio (not more than 2.33)	1.27	1.23
Debt Service Coverage Ratio (at least 1.25)	1.97	2.47
Others		
Return on Equity	1.14%	1.04%
Return on Asset	0.50%	0.47%
Asset-to-Equity Ratio	2.27	2.23
Current Ratio	0.88	1.00
Book Value per Share	₱6.82	₱6.87

SCHEDULE III

ROXAS HOLDINGS, INC.AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF ADOPTION OF EFFECTIVE ACCOUNTING STANDARDS AND INTERPRETATIONS
SEPTEMBER 30, 2017

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at September 30, 2017		Adopted	Not Early Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRS Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	✓		
	Amendments to PFRS 2: Definition of Vesting Condition	✓		
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions		✓	
PFRS 3 (Revised)	Business Combinations	✓		
	Amendments to PFRS 3 : Accounting for Contingent Consideration in a Business Combination	✓		
	Amendments to PFRS 3 : Scope Exceptions for Joint Arrangements			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at September 30, 2017		Adopted	Not Early Adopted	Not Applicable
PFRS 4	Insurance Contracts		✓	
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts		✓	
	Amendments to PFRS 4: Applying PFRS 9, *Financial Instruments*, with PFRS 4		✓	
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Changes in Method of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements	✓		
	Amendments to PFRS 7: Servicing Contracts			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8 : Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Asset	✓		
PFRS 9	Financial Instruments		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at September 30, 2017		Adopted	Not Early Adopted	Not Applicable
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28, Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		✓	
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance			✓
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28, Investment Entities: Applying the Consolidation Exception			✓
	Clarification of the Scope of the Standard		✓	
PFRS 13	Fair Value Measurement	✓		
	Amendments to PFRS 13 : Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers		✓	
PFRS 16	Leases		✓	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1, Disclosure Initiative	✓		
PAS 2	Inventories	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at September 30, 2017		Adopted	Not Early Adopted	Not Applicable
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative		✓	
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 : Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses		✓	
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16 and 38: Proportionate Restatement of Accumulated Amortization			✓
	Amendments to PAS 16 and PAS 41: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			✓
	Regional Market Issue Regarding Discount Rate			✓
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at September 30, 2017		Adopted	Not Early Adopted	Not Applicable
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendment: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28, Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value		✓	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Disclosure of Information 'Elsewhere in the Interim Financial Report'	✓		
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		

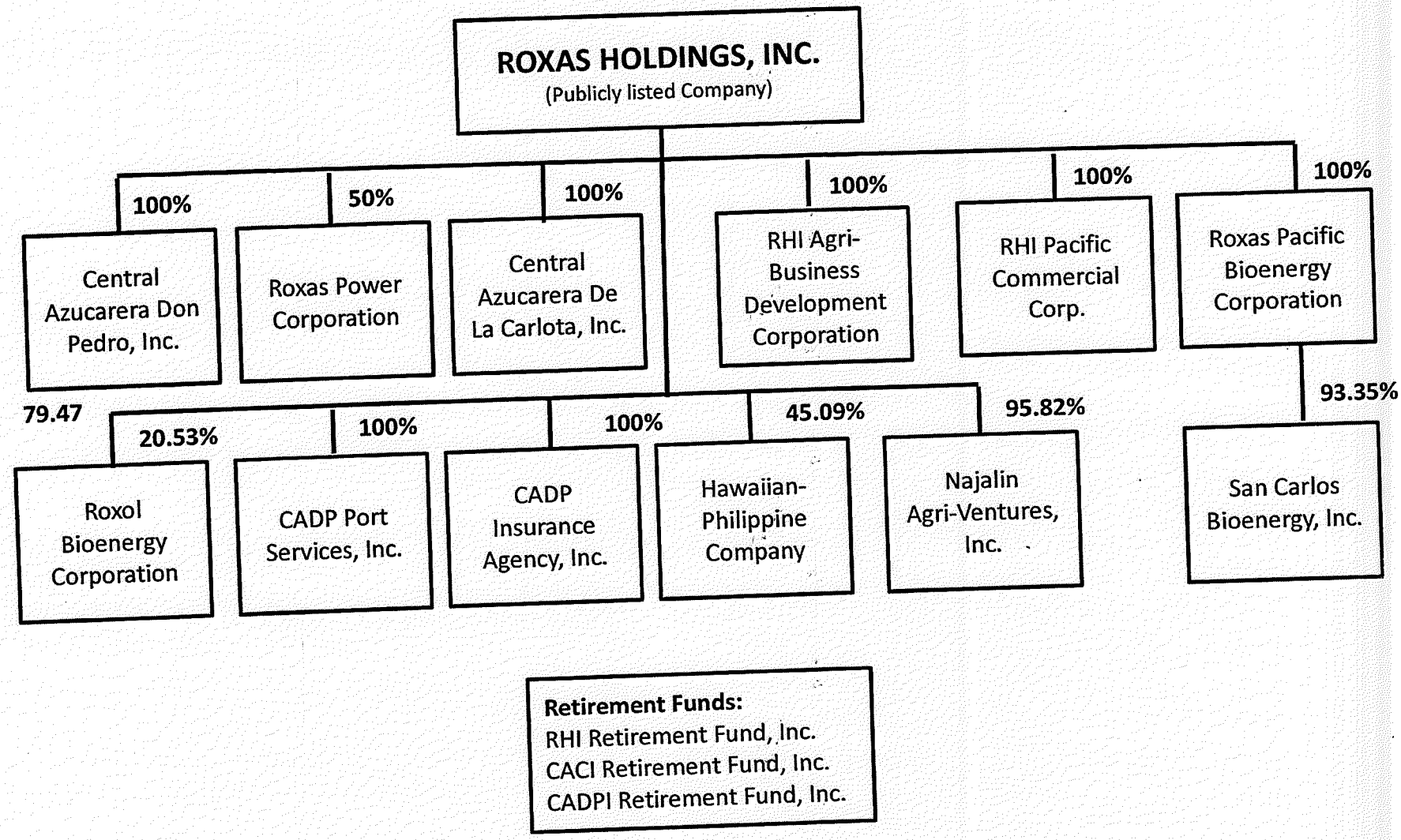
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at September 30, 2017		Adopted	Not Early Adopted	Not Applicable
PAS 38	Intangible Assets	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
	Interrelationship between PFRS 3 and PAS 40	✓		
	Amendments to PAS 40: Transfers of Investment Property		✓	
PAS 41	Agriculture	✓		
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at September 30, 2017		Adopted	Not Early Adopted	Not Applicable
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	✓		
IFRIC 15	Agreements for the Construction of Real Estate			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		
IFRIC 22	Foreign Currency Transactions and Advance Consideration		✓	
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at September 30, 2017		Adopted	Not Early Adopted	Not Applicable
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs	✓		

SCHEDULE IV

ROXAS HOLDINGS, INC. AND SUBSIDIARIES
CORPORATE STRUCTURE
September 30, 2016



Retirement Funds:
RHI Retirement Fund, Inc.
CACI Retirement Fund, Inc.
CADPI Retirement Fund, Inc.

SCHEDULE V

ROXAS HOLDINGS, INC.

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

AS OF SEPTEMBER 30, 2017

Retained earnings, beginning	₱4,081,802,007
Cumulative unrealized fair value gain on investment properties, net of tax, beginning	(1,377,707,556)
Revaluation increment on land transferred to retained earnings on deemed cost adjustment, net of tax	(958,591,519)
Treasury stock	(52,290,236)
Deferred income tax assets, beginning	(23,314,998)
Retained earnings available for dividend declaration, beginning	1,669,897,698
Net income earned during the year	197,626,276
Deduct unrealized income:	
Unrealized fair value gain on investment properties, net of tax	(84,735,000)
Increase in deferred income tax assets	(1,308,250)
Unappropriated retained earnings available for dividend declaration at end of year	₱1,781,480,724

Reconciliation:	
Retained earnings at year end as shown in the separate financial statements	₱4,279,428,283
Unrealized fair value gain on investment properties, net of tax	(1,462,442,556)
Revaluation increment on land transferred to retained earnings on deemed cost adjustment, net of tax	(958,591,519)
Treasury stock	(52,290,236)
Deferred income tax assets	(24,623,248)
	₱1,781,480,724