RHi
ROXAS HOLDINGS, INC.

2020 ANNUAL REPORT

Reimagining The Future

CORPORATE PROFILE
ABOUT RHI

Roxas Holdings, Inc. (RHI) is one of the largest sugar producers in the Philippines as well as a pioneer in ethanol production and a first mover in agribusiness in the country.

It manages sugar mill/refinery Central Azucarera Don Pedro, Inc. (CADPI) in Nasugbu, Batangas; ethanol producer San Carlos Bioenergy, Inc. (SCBI) in San Carlos City, Negros Occidental; and agri-business mover RHI Agri-business Development Corporation (RHI-ADC).

The Group also managed the operations of sugar mill Central Azucarera de la Carlota, Inc. (CACI) and ethanol facility Roxol Bioenergy Corporation (RBC), both in La Carlota City, Negros Occidental, until September 30, 2020.

Further information on RHI, listed as ROX at the Philippine Stock Exchange, Inc. (PSEi), can be obtained at **www.roxasholdings.com.ph.**

VISION

To be a world-class leader in sugar cane-based products and services in the Asia Pacific.

MISSION

For customers:
To provide quality sugar cane-based products and services.

For partners:
To be fair and transparent in its dealings.

For stockholders:
To enhance shareholder value with reasonable return on equity.

For people:
To provide professional growth, development and recognition.

For communities:
To be a responsible corporate citizen.

VALUES

Reliability & Relevance

Reliability: We fulfill expectations and deliver our commitments with all stakeholders.

Relevance: We are mindful of the constant challenges and changes affecting the environment, and address them with creative, fresh and competent solutions.

High Standards

We constantly set high standards and ethics in our operations and with our products, and strive to exceed them.

Integrity

We consider doing business following the time-tested principles of fairness, transparency and honesty.

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Reimagining The Future

Our cover shows a woman inspecting a sugar plantation while holding a tablet, bathed in sunlight that evokes hope. This is a nod to our roots, of how the past matters to us. The tablet in her hand symbolizes our embrace of forward-facing and future-ready technology.

The past year offered challenges that our company rose to address, taking advantage of the circumstances to map new paths for reinvention and growth. The future is ours to reimagine, its harvest is ours to claim.

TEN-YEAR
FINANCIAL HIGHLIGHTS

Amounts in PhP M *(Except for the last three items)*	2020	2019	2018	2017	2016	2015	2014	2013	2012*	2011
Net Sales	9,296	12,920	11,811	10,948	12,050	8,208	8,317	6,065	7,674	7,910
Income from Operations	398	308	1,254	1,457	1,073	1,044	1,434	1,615	1,718	226
Net Income (Loss)	-3,826	-1,889	55	120	102	19	615	486	701	-742
EBITDA	4	32	1,186	1,624	1,337	996	1,672	1,806	1,718	784
Total Assets	14,027	21,917	25,531	23,896	21,658	20,410	14,700	15,121	14,348	16,708
Total Equity	5,850	9,164	10,763	10,544	9,774	8,433	6,928	5,561	5,347	5,406
Debt-to-Equity Ratio	1.40	1.39	1.37	1.27	1.22	1.42	1.12	1.72	1.68	2.09
Earnings (Loss) Per Share	-2.46	-1.22	0.04	0.08	0.07	0.01	0.67	0.53	0.77	-0.81
Dividends Per Share	–	–	–	–	–	0.12	0.24	0.06	0.04	–

**RHI changed its fiscal year to October-September cycle.*

MESSAGE OF THE **CHAIRMAN**

Dear Fellow Shareholders:

The past financial year 2019 to 2020 would be described aptly as a period fraught with uncertainties and nerve-wracking events.

We witnessed the Taal Volcano eruption in January 2020, followed by the months-long Corona Virus 2019 (COVID-19) pandemic that started in March 2020 and which later resulted to a punctuated slowdown in economy.

Against this backdrop, the Asian Development Bank (ADB) forecast in September 2020 that the Philippine economy would contract by 7.3% in 2020 amid the pandemic.

The year 2020 was indeed a tough, if not dark, period that tested every organization's mettle and ability to rebound in the face of stark and wide-ranging challenges especially with community quarantines that limited movements of people and closed establishments.

While it was a gloomy period, our company, Roxas Holdings, Inc. (RHI), took that time to reinvent its business model and build on its resources – pressing on as a bold mover despite the limiting constraints in line with efforts to contain the spread of the virus.

As FY1920 winded to an end, RHI announced the closing of its asset sale transaction with Universal Robina Corporation (URC) which involved the sale of sugar mill Central Azucarera de la Carlota, Inc. (CACI) and ethanol plant Roxol Bioenergy Corporation (RBC) as well as investment properties, consisting of shares in Najalin Agri-Ventures, Inc. (NAVI) – all located in La Carlota City, Negros Occidental.

The asset sale transaction was a decisive business move necessitated by the rapidly changing times and is a crucial part of the Group's ongoing reinvention strategy.

With the closing of the asset sale transaction, RHI can now focus its resources on Central Azucarera Don Pedro, Inc. (CADPI) in Nasugbu, Batangas to meet the discerning sugar requirements of our clients and boost the operations of our ethanol facility, San Carlos Bioenergy, Inc. (SCBI) in San Carlos City, Negros Occidental.

We aspire to shape CADPI's Refinery, strategically situated in Batangas, into world class operations that can cater to a larger market.

Aligned with this vision, we also hope to make CADPI ready and poised to seize opportunities with the expected increase in refined sugar consumption while helping the government minimize the importation of refined sugar.

As we retrain our sights, our vision for the entire Group is clear. Anchored on this solid vision, and supported by firm objectives that drive us to move beyond the challenges and bring out meaningful changes from our continuously evolving reinvention strategy, RHI is resolute in changing the current economic landscape for the sugar, ethanol and agribusiness sectors.

"RHI is resolute in changing the current economic landscape for the sugar, ethanol and agribusiness sectors."

There is so much to do as we get down to the intricacies of reinventing our business model. We assure you that we will not waste this precious opportunity to build on our resources and expand our reach with enhanced quality of product and service offerings.

We ask for your continuing trust and support as we venture further in strengthening our operations which run the gamut of sugar mill, refinery, ethanol facility and agribusiness.

On this note, we gladly announce and welcome the new leadership at our Group with our President and CEO Celso T. Dimarucut at the helm of RHI's operations. Mr. Dimarucut has served the company as Executive Vice President and Chief Financial Officer for five years until his appointment as PCEO last December 16, 2020.

With his astute leadership, we envision our Group to expand its reach and solidify further its standing as a trusted and leading sugar mill and refinery not only in Luzon but in the entire country; as one of the few and dependable Philippine ethanol producers; and to remain as the first mover in agribusiness in Luzon and Visayas.

Let us all look forward as RHI evolves in the coming years.

At this juncture, we thank you, our dear stakeholders and esteemed stockholders, for your continuing support. We extend our gratitude, in the same breadth, to our directors and advisors who share their wisdom and expertise for RHI's growth.

The steadfast commitment of our Management and Staff is also deeply appreciated. You stayed with us as we navigated the dark moments of the past year as COVID-19 pressed hard against us and almost threatened the sustainability of our operations.

As we set out on the road to recovery, albeit slow, let us keep a positive and open attitude to go beyond what is expected and deliver par excellence results with the resources we have.

Now, more than ever, is the time to reinvent. RHI, reset!

Thank you.

Pedro E. Roxas
Chairman

MESSAGE OF THE
PRESIDENT & CEO

Dear Fellow Shareholders:

The Philippine sugar industry and the local ethanol industry are both in a crucible.

Roxas Holdings, Inc. (RHI) was faced last year with formidable challenges that encompassed the facets of its business: sugar, ethanol and agri-business.

As a leading sugar producer in the country, it was beset with the uncontrollable impact of changing weather conditions vis-à-vis the decreasing number of laborers at the farms. The stiff competition arising from the deluge of low-priced imported sugar further exacerbated the situation. Combined, these conditions painted an impregnable scenario that had a domino effect rippling over to the Group's alcohol and agri-business ventures.

The challenges were made more severe by conditions arising from natural disasters that ranged from the eruption of Taal Volcano early in 2020 to a number of earthquakes and strong typhoons that were further aggravated by the Corona Virus 2019 (COVID-19) pandemic.

RHI was just starting to cope with the volcanic activity that gravely affected the operations of Central Azucarera Don Pedro, Inc. (CADPI) in Nasugbu, Batangas when the pandemic began.

Aside from the limited movement of sugar from CADPI due to the Taal Volcano eruption that blocked major roads leading to Metro Manila, the significant decline in available canes in the Batangas area also hampered the production of refined sugar as the supply of bagasse was limited.

Our ethanol operations were not spared either. The pandemic had caused major delays in the lifting of ethanol by oil companies, forcing RHI to shut down operations of one of its two ethanol plants earlier than scheduled. Added to this situation was the steep hike in the cost of feedstock, which tempered gains – translating to slim margins for the Group's ethanol unit.

These and other concomitant instances painted a bleak picture for most companies, such as RHI. But our Group saw beyond the challenges and moved quickly to reinvent its business model, seizing fundamental resources and turning these into a strategic advantage that allowed for flexibility of movement, and strength to maximize and secure its position.

A thorough and introspective evaluation of our situation empowered us to make tough but meaningful decisions which inevitably boiled down to a simple realization of how crucial it is for us to enrich the fundamental resources that we have.

"RHI will press on with its reinvention – unfazed by difficulties."

This led the Group to the decision to enter into an asset sale transaction with Universal Robina Corporation (URC) for our sugar mill and ethanol plant as well as shares in Najalin Agri-Ventures, Inc. in La Carlota City, Negros Occidental. The transaction was completed on September 30, 2020 – which coincided with the end of fiscal year 2019-2020.

We used the proceeds of the asset sale transaction to pay off all of the Group's long-term loans, bringing Net Debt down 54% to PhP4.4 billion from PhP9.8 billion in the previous year.

However, the move to recalibrate our priorities and retrain our sights resulted to the recognition of non-recurring losses of about PhP2.6 billion – mainly from asset sale and goodwill impairment – at the end of the year.

This resulted to RHI's Net Loss of PhP3.8 billion for the year ended September 30, 2020 from the PhP1.9 billion in the previous year – a stark reminder of how crucial the exercise of reinvention is in realigning our priorities and building on our strategic strengths.

At the forefront of sugar are our mill and refinery, which are currently undergoing massive refinements in order to meet and satisfy the demands of our sophisticated clients.

As for our alcohol business, we are continuously studying enhancements that will open new growth markets for us.

And for our agribusiness, RHI Agri-business Development Corporation is forging ahead with new partners and cultivates present relationships as it blazes the trail for advanced technology in the farms.

We are doing all these simultaneously with the focus on satisfying our customers and widening our market reach. RHI is driven to go the extra mile to gain a bigger share of the market and to sharpen its edge.

Demands in these rapidly changing times shift continuously but as a bold mover, RHI will press on with its reinvention – unfazed by difficulties.

More than any other time, we seek your continued trust as we usher in a new era.

To our stockholders and stakeholders, your support will keep us going.

To our Board of Directors and Board of Advisors, your unfailing guidance will steer us as we continue to reinvent.

To our Management and Staff, thank you. You are our partners as we roll out our vision in line with the ongoing reinvention of RHI's business model. Let us join together as we "reset" and do all that we can to make our vision for RHI a reality.

Let us work together to rewrite RHI's future because despite the prevailing uncertainties due to the pandemic, you can rest assured that our Group is doing its best to fast track recovery and implement a wide-ranging reinvention that will rebuild our sugar mill and refinery, boost our alcohol business, and strengthen our agribusiness with more targeted programs to help farmers increase their yields.

Thank you.

Celso T. Dimarucut
President & CEO

OPERATIONAL HIGHLIGHTS
SUGAR

Roxas Holdings, Inc. (RHI) manages the sugar mill and refinery of Central Azucarera Don Pedro, Inc. (CADPI) in Nasugbu, Batangas, as well as the sugar mill of Central Azucarera de la Carlota, Inc. (CACI) in La Carlota City, Negros Occidental until September 30, 2020 – when it officially completed its asset sale transaction with Universal Robina Corporation (URC).

Running these two large sugar operations in the country is challenging with the pronounced shortage of sugarcane that resulted to intense competition, shrinking number of laborers at the farms, and changing weather conditions.

The situation was further exacerbated as the sugar business experienced the intense impact of the twin occurrence of a natural disaster and a global pandemic in 2020.

However, RHI, as a prime mover in the Philippine sugar industry, took these challenges in stride by reshaping its business and implementing an overhaul of its strategy.

The Group aspires to shape CADPI's Refinery, strategically located in Nasugbu, Batangas, into a facility with world-class operations that can cater to a larger market while helping the government minimize the importation of refined sugar.

CENTRAL AZUCARERA DON PEDRO, INC.

When the Taal Volcano erupted in January 2020, CADPI's operations were vastly affected as deliveries to and from the plant were delayed due to road closures.

However, this did not deter CADPI as it immediately implemented "Oplan SAGIP" – an emergency preparedness procedure.

As CADPI was beginning to recover from the impact of the natural disaster, the government announced the implementation of community quarantines and travel restrictions as part of efforts to control the spread of Corona Virus 2019 (COVID 19). In response to this health pandemic, triggered by the rapid increase in the number of COVID 19 cases, CADPI rolled out its Business Continuity Action Plan.

To further strengthen health and security measures at the plant, CADPI put in place Health Declaration Forms, and provided hand sanitizers and alcohol while disinfecting common areas.

It supported these initiatives by disseminating reliable information and guidelines through email and printed ads posted in strategic areas at the plant, while running CADPI Hospital 24/7 for patients that require urgent medical attention.

While battling these challenges, CADPI also stepped up its efforts to rehabilitate and restore its equipment to ensure that it is well-positioned to cater to the demands of its discerning customers.

CADPI continues to reinvent its strategy despite some setbacks, such as a shortened operating period that lasted 17 weeks from February 1, 2020 to May 31, 2020, instead of until September 2020. The shortened operating period resulted to Tons Cane Milled (TCM) of 654,905, lower than the 783,310 in the previous crop year. Sugar refined by CADPI for the period was lower than the previous year's at 1.08 million LKg. This crop year's raw sugar yield is only at 1.913 LKg/TC, 7% lower than the previous period.

Despite the decrease in market share with 51%, CADPI still managed to be the leading mill of choice in Batangas area.The mill's operations were slowed down by low farm productivity and dwindling number of manual cane cutters.

CADPI continues to reinvent its strategy, especially as it responded to the challenges it faced: Taal Eruption in January 2020 and COVID-19 Pandemic since March 2020.

To strengthen partnership with its planters, CADPI assisted them in outsourcing mechanical harvesters in partnership with RHI Agri-business Development Corporation (RHI-ADC). The mill also intensified its cane campaign and provided loans to farmers. CADPI also optimized the use of bagasse and biomass.

With CADPI's continuous efforts to improve the Mill, Refinery and its over-all plant efficiency, it is also making sure that the people running the facility are ready for it. Cadetship program was successfully launched, with 10 Cadet Engineers strategically posted across the Factory operations. The mill also appointed a team that will oversee the maintenance of the plant and implemented a regular review of the processes in order to act quickly on plant concerns.

"... CADPI still managed to be the leading mill of choice in Batangas area."

CENTRAL AZUCARERA DE LA CARLOTA, INC.

Despite the overwhelming impact of COVID 19, CACI ended CY1920 on a positive note with tons cane milled (TCM) at 1.733 million, higher than the 1.619 million TCM in the previous crop year.

CACI started milling on September 30, 2019 — two weeks later than the opening in CY 1819 which was on September 17, 2018. Sugar yield was also higher at 3.252 million LKg bags compared to 2.786 million LKg bags in the previous period.

The mill also recorded a higher LKg/TC at 1.877 from 1.874 in CY1819 and cornered a bigger market share at 15.38% in May 2020 from 14.32%.

CACI celebrated its Centennial in February 2020, marking 100 years of colorful history that laid the foundation for one of the country's pioneering sugar centrals.

"The mill... cornered a bigger market share at 15.38% in May 2020 from 14.32%."

OPERATIONAL HIGHLIGHTS
ETHANOL

Two of the country's leading ethanol producers are Roxol Bioenergy Corporation (RBC) in La Carlota City, Negros Occidental and San Carlos Bioenergy, Inc. (SCBI) in San Carlos City, Negros Occidental.

Roxas Holdings, Inc. (RHI) managed both ethanol plants in Crop Year 2019-2020. Since RBC was part of the asset sale transaction between RHI and Universal Corporation (URC), SCBI is the only ethanol plant that remains with the Group.

The Group's ethanol business had its share of challenges during the crop year. Delays in lifting by oil companies, resulting from the imposition of different levels of quarantine, forced the Group to shut down the operations of one of its alcohol plants earlier than scheduled.

Aside from the impact of the global pandemic, the two alcohol plants under the RHI Group were heavily affected by the soaring prices of molasses.

The steep rise in the cost of feedstock added to the impact of the early plant shutdown. Amid the challenges, RHI's ethanol business continues, with further operational enhancements being implemented regularly.

Overall, the alcohol segment of RHI reeled from the high cost of feedstock (molasses), resulting in marked decline in gross profit. This was further compounded by lower production volume as a result of the decreased demand for ethanol due to the imposition of lockdowns.

Despite the heightened challenges brought about by the global pandemic, RHI and its subsidiaries managed to lower operating expenses while actively responding to the demands of the time.

As part of its continuing initiative to reinvent its business model, RHI commits to bolster its competitiveness and focus on its strength as the Group charts new territories, and enhance the operations of its alcohol facility in San Carlos City.

san carlos Bioenergy, Inc.

SCBI faced two tough challenges in Crop Year 2019-2020: the soaring prices of molasses and the availability of sugarcanes for the mill.

The increasing number of distilleries in the Philippines pushed the demand for molasses and triggered significant increases in the cost of feedstock. At the height of the COVID 19 pandemic, the price of molasses in Negros climbed 5.8% month-on-month to PhP11,921.77 per metric ton in February 2020.

The imposition of quarantine as part of measures to contain the spread of the virus in terms of stricter border controls that limited the mobility of people and the transport of goods severely affected the supply of sugarcanes.

The high incidence of rains during the period also affected the availability of sugarcanes for the mill.

The pronounced lack of molasses had hampered the production of bioethanol in the country but SCBI continued with its operations while finding other ways to manage the crippling inadequacy of feedstock.

Always finding solutions in line with its parent's bold move to reinvent the business, SCBI changed the plant's primary feedstock from molasses to syrup – a move that heralded SCBI's "reset". The Plant's strong relationships with planters helped address the concern on sugarcane even amid the pandemic. SCBI also rolled out significant repairs on its steam turbine generator, evaporators, and storage tanks; and established procedures for continuing operations. It acted immediately too in response to the government measures to control the spread of COVID 19.

After the imposition of lockdown in March 2020, SCBI formed the Special Situations Managing Team (SSMT) and produced 70% ethyl alcohol for use by government agencies and other partners as well as communities near the plant.

SCBI also donated ethyl alcohol to other parts of the country, which needed vast amounts of ethyl alcohol in the continuing fight against the spread of the dreaded virus.

The plant rolled out as well proactive measures to support Sustainable Development and focused on the three (3) Rs: Reduce, Reuse, and Recycle.

In support of its continuing efforts to protect the environment and manage concerns on water, SCBI also formed a Water Management and Sustainability Team.

The operations of the alcohol plant for the period ran for eight (8) months from November 11, 2019 to June 11, 2020. Given the challenges, SCBI produced 15.94 million liters of alcohol for the period, lower than the production of 36.09 million liters in Crop Year 2018-2019.

SCBI also donated ethyl alcohol to other parts of the country... in the continuing fight against the spread of the dreaded virus.

roxol Bioenergy Corporation

RBC kept to its mission to care for the environment through effective waste management program while it enhanced its operations for Crop Year 2019-2020.

Since its operations were cut short by three months – lasting only from October 1, 2019 to June 20, 2020 due to the COVID 19 pandemic, RBC produced 29.71 million liters of alcohol from 40.22 million liters in the previous year.

Despite the challenging situation, RBC's yield was higher at 549 liters (L) of AHA/Ton on feedstock from 547 L in the previous year.

"RBC's yield was higher at 549 liters (L) of AHA/Ton on feedstock from 547 L in the previous year."

OPERATIONAL HIGHLIGHTS
AGRIBUSINESS

It has been an unpredictable year on all fronts. RHI Agri-business Development Corp. (RHI-ADC) was not spared from the chaos of 2020. However, it stood still to support the backliners (planters and farm workers) of RHI mills' sugarcane farms.

RHI-ADC was greeted at the first quarter of Crop Year 2019-20 with the eruption of Taal Volcano on January 12, 2020, merely a week after Central Azucarera Don Pedro, Inc. (CADPI) in Batangas started milling. Three major roads were closed, namely: Palico-Balayan-Batangas, Tanauan-Talisay-Tagaytay, and Talisay-Laurel-Agoncillo — prompting RHI-ADC to stop the operations of the mechanical harvesters as cane trucks could not pass through the roads from the farms to the mill. Total cane deliveries of RHI-ADC to CADPI from the mechanical harvesters only amounted to 7,435 tons.

After two months, just when RHI-ADC was starting to recover from the effects of Taal eruption, lockdown was announced. With minimal movements of farm workers, RHI-ADC in Batangas kept its nurseries of high yielding varieties (HYVs), including its dispersion; and continued crop loan program as well as the coordination with planters through phone and online meetings. RHI-ADC distributed 222 lacsas of HYV planting materials to 58 planters and released PhP11.85M to seven (7) planters who delivered 20,562 tons to CADPI.

The thrust for RHI-ADC Batangas in CY 2019-20 was to transfer all assets or agricultural equipment to Negros to fully support the La Carlota mill in cane supply and it did just that. For CY 2019-20, RHI-ADC Negros contributed 119,090 tons to CACI. The numbers came from the different programs of RHI-ADC, namely: management of in-house farms, contract growing, crop loans, nurseries of HYVs and provision of mechanical harvesters, grab loaders and tractors to planters within the mill district. RHI-ADC also assisted Roxol Bioenergy Corporation in the distribution of fertilizer spentwash to farmers. It distributed 378,236 cubic meters of spentwash to more than 100 farms in the mill district. With farm mechanization, RHI-ADC provided service to 52 planters comprising of small, medium and big ones plus the ARBs (Agrarian Reform Beneficiaries) and cooperatives. It surpassed its volume target for grab loaders by delivering 108,366 tons to CACI in 2019-20 and only 1% short of target for tractor services, servicing 4,878 hectare-passes out of its target of 4,918 hectare-passes.

The bulk of RHI-ADC cane deliveries to Central Azucarera de la Carlota, Inc. (CACI) came from its partnership with local cooperatives and big planters which rely on the services of RHI-ADC that managed 495 hectares of sugarcane farms in Negros.

The last quarter of 2019-20 was the transition of CACI to Universal Robina Corporation (URC). RHI-ADC kept its farms and assets in Negros since those were not part of the purchase agreement. The employees were moved to a makeshift office in one of its in-house farms.

For CY 2019-20, the mechanical harvesters used in Batangas came from third party service providers and except for the nurseries, no other farms were maintained. RHI-ADC was certified as an Accredited Service Provider of the Sugar Regulatory Administration (SRA) for Don Pedro and Balayan Mill Districts, which puts it in a better position to reach out for more planters using government funds of SRA's Sugar Industry Development Act (SIDA) Programs.

REVIVE BATANGAS OPERATIONS

Smart Agriculture

Drone

RHI-ADC will reclaim its position in Batangas as a pioneer in innovation by introducing the use of drone in the ripening of standing sugarcane crops for early milling to CADPI. Six to eight weeks before harvest, crops that are not ready for harvest with ripening chemical approved by the Fertilizer and Pesticide Authority (FPA) to hasten maturity. Drones will also be used for applying liquid herbicides and weedicides in the farm.

Irrigation

Sugarcane farms in Batangas and Cavite have been long dependent on rainfall due to lack of irrigation infrastructures and equipment efficient enough to bring and utilize available water from the river, deep well, dams, ponds or reservoirs. This contributes to the mill district's low sugarcane productivity. RHI-ADC shall work with irrigation experts (e.g Bureau of Soils and Water Management), private companies, and individuals with technical know-how to conduct farm surveys, mapping, and come up with an irrigation system suitable to the farms.

Farm Mechanization

RHI-ADC shall be more active in the land preparation, cultivation and harvesting of canes in Batangas by providing farm services. Aside from its fleet of equipment, RHI-ADC shall continue to partner with third-party service providers to reach more planters who are in need of help.

R&D Projects

RHI-ADC shall forge more partnerships with agri-supply companies which promote products with yield improving characteristics. It shall maintain nurseries of high-yielding sugarcane varieties for farm productivity improvement and continue to propagate commercial use of the tried and tested suitable variety in Batangas which is PSR 01-105.

Contract growing

RHI-ADC shall constantly look for available land for lease and find suitable partner planters to be in-charge in the farm operation. The arrangement ensures capital support to the planter while ensuring sugarcane deliveries to CADPI.

Crop Loans

RHI-ADC shall continue to provide crop loans and farm mechanization loans using in-house fund and third-party fund like the ones provided by the SRA and the Land Bank of the Philippines.

Extension Services

RHI-ADC shall engage with more sugarcane planter coops, ARBs, and mill district offices, to promote RHI- ADC programs and/or craft partnerships to support their needs. It shall also organize technical trainings especially for planters not associated with planters' associations, and who do not usually have access with technical trainings.

With the radical changes that happened in CY19-20, RHI-ADC shall continue to offer hope to the backliners of San Carlos and Batangas.

CORPORATE GOVERNANCE

Roxas Holdings, Inc. (RHI), as a listed organization and among the leading integrated sugar and bioethanol producers in the Philippines, puts high importance on corporate governance. In compliance with the circular of the Securities and Exchange Commission (SEC) requiring all listed companies to submit new versions of their respective Manual on Corporate Governance, RHI released its Revised Manual on Corporate Governance in 2017.

The Corporate Governance Committee unanimously approved the 2017 RHI Revised Manual on Corporate Governance, which contains the 16 principles below:

1. RHI shall be headed by a competent, working Board to foster the long-term success of the Company, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the long-term best interests of its shareholders and other stakeholders.
2. The fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the Company's articles and by-laws, and other legal pronouncements and guidelines shall be clearly made known to all directors as well as to stockholders and other stakeholders.
3. To show full commitment to the Company, the directors should devote the time and attention necessary to properly and effectively perform their duties and responsibilities, including sufficient time to be familiar with the Company's businesses.
4. The Board shall endeavor to exercise objective and independent judgment on all corporate affairs.
5. The best measure of the Board's effectiveness is through an assessment process. The Board shall regularly carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies.
6. Members of the Board are duty-bound to apply high ethical standards – taking into account the interests of the stakeholders.
7. The Board shall adopt standards for professional and ethical behavior.
8. The Company shall establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations.
9. The Company shall establish standards for the appropriate selection of an external auditor, and exercise effective oversight of the same to strengthen the external auditor's independence and enhance audit quality.
10. The Company shall ensure that material and reportable non-financial and sustainability issues are disclosed.
11. The Company shall maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is crucial for informed decision-making by investors, stakeholders and other interested users.
12. To ensure the integrity, transparency and proper governance in the conduct of its affairs, the Company shall have a strong and effective internal control system and enterprise risk management framework.
13. The Company shall treat all shareholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights.
14. The rights of stakeholders established by law, by contractual relations and through voluntary commitments must be respected. Where stakeholders' rights and/or interests are at stake, stakeholders shall have the opportunity to obtain prompt effective redress for the violation of their rights.
15. A mechanism for employee participation shall be developed to create a symbiotic environment, realize the company's goals and participate in its corporate governance processes.
16. The Company shall be socially responsible in all its dealings with the communities where it operates. It shall ensure that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.

RHI also has the following policies in place:

Insider Trading Policy

The Company has an Insider Trading Policy which prohibits the purchase, sale, or trading in securities of the Company or another corporation while in possession of material non-public information.

The Policy likewise prohibits the giving of material non- public information, directly or indirectly, to anyone. A violation of the Policy subjects the member of the Board of Directors, Board of Advisors, officer, or employee to disciplinary action in addition to possible civil and criminal actions.

Business Conduct Policy

The highest standard of individual conduct is expected at all times from each employee of Roxas Holdings, Inc. not only in matters of financial integrity but also in every aspect of business relationship. Business should be conducted on the bases of fair dealing, consideration for the rights and feelings of others and the most stringent principles of good corporate citizenship.

Each employee is charged with the responsibility of acquiring sufficient knowledge of the laws relating to his or her particular duties in order to recognize potential dangers and to know when to seek legal advice. Unlawful conduct will not be condoned under any circumstances. Employees should consult with the in-house counsel if they have questions regarding compliance with certain laws, rules or regulations.

Whistle-blowing Policy

The Group has a public interest disclosure or a whistle-blowing policy whereby all employees have the right and moral responsibility to report improper actions and omissions. A workplace culture is developed in which employees who act in good faith and in compliance with the law are protected from interference in, or retaliation for, reporting improper actions and cooperating with subsequent investigations and proceedings.

Public Interest Disclosure is required when employees, in good faith, believe superiors or colleagues are engaged in an improper course of illegal or unethical conduct, and they must be able to disclose such conduct free from fear or intimidation or reprisal.

Conflict of Interest Policy

The Company and its stakeholders require and expect that business affairs must be conducted in a manner that does not cloud judgment when dealing with third parties, or when making decisions on behalf of the Company. Business transactions must be undertaken solely in the best interest of the Company.

Conflict of Interest can only be defined along broad lines of ethical principles as it is impossible to conceive of all situations where a conflict may arise. In general, conflict of interest arises when an employee engages in business or professional activities exclusively for his own benefit on Company time or when such vested interest goes against the interest of the Company regardless whether it occurs during Company time or not. In short, a conflict of interest arises when the Company's interests are sacrificed. Some illustrative situations are:

1. Accepting business or outside employment;
2. Solicitation or acceptance of gifts;
3. Business dealings with the Company; and
4. Other analogous circumstances.

Dividend Policy

Roxas Holdings, Inc. has a policy to declare regular cash and/or stock dividends of 35% of annual earnings payable out of its unrestricted retained earnings.

The dividends shall be distributed semi-annually with the record and payment dates to be set in consideration of the following:

a. Financial covenants on debt-equity and debt service cover ratios;
b. Prospective capital requirements for expansion or investments; and
c. Compliance to statutory requirements.

In addition, the Board may declare special dividends provided this would not be detrimental to the company's cash flow requirements.

Related Party Transactions Policy

The Related Party Transactions Policy of the company tackles policies and procedures as well as conflict of interest.

RHI has policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parents, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

Possible conflicts of interest of the directors of the Company are determined and resolved by the Corporate Governance Committee at the time that they are considered for election to the Board of Directors. Conflicts of interest that may arise after the election to the Board are disclosed as they occur, and the Board of Directors addresses these.

Policy on Data Privacy

The Company recognizes the importance of the privacy of every individual it associates with. Thus, to strengthen this campaign, the Policy on Data Privacy was adopted to make sure that all employees who handle matters involving personal information of individuals are aware of their roles in safeguarding this information. Personal information of individuals must be held in confidence by all employees and disclosure should only be done with the individual's written consent or when requested by a Court or law enforcement agency.

In accordance with the requirement of the National Privacy Commission, the Company has appointed a Data Protection Officer and a Compliance Office for Privacy to oversee the compliance of the Company to relevant privacy laws and issuances. The Company has also established protocols in the Policy to ensure that all employees are properly informed about the measures to be taken if a data breach occurs and how it will be promptly addressed. Updates and frequent review of privacy controls are being done to protect the Personal Information in the Company's safekeeping.

RHI is committed to bring the level of adherence to good corporate governance at par with the best practices from all over the country and the ASEAN region.

Below is the list of meetings held from October 1, 2019 to September 30, 2020:

Board of Directors	Stockholders	Audit Committee	Executive Committee
03 October 2019 04 December 2019 04 February 2020 19 May 2020 11 August 2020 18 September 2020	04 June 2020	04 December 2019 03 February 2020 18 May 2020 05 August 2020	None

SUSTAINABILITY

SAFETY/ QUALITY ASSURANCE/IE

Quality and safety are everyone's responsibility at Roxas Holdings, Inc. (RHI) as these are important in improving productivity.

The Quality Assurance/Safety/Industrial Engineering Team strives to consistently meet the quality of every subsidiary's product – be it sugar, bioethanol or agribusiness, based on regulatory and customer requirements.

In Crop Year 2019 to 2020, the team noted a decreasing trend of customer complaints compared to previous years. RHI's alcohol plants: San Carlos Bioenergy, Inc. (SCBI) and Roxol Bioenergy Corporation (RBC) recorded zero customer complaints, while the Group's sugar plants: Central Azucarera Don Pedro, Inc. (CADPI) and Central Azucarera de la Carlota, Inc. (CACI) saw the number of complaints drop by 50%.

To sustain the Group's quality performance and meet customer requirements, RHI's Plants are encouraged to work for their respective certification to local and international standards in quality and food safety management such as Food Safety System Certification (FSSC 22000) and ISO 9001:2015.

CADPI and CACI had maintained their Halal Certifications from the Islamic Da'wah Council of the Philippines (IDCP) and the Halal Development Institute of the Philippines (HDIP) for raw sugar and refined sugar products.

CADPI is working on obtaining its new Halal Certification under Prime to be more competitive with other suppliers – both in the local and international markets. It had also undergone a re-certification audit for Food Safety System (FSSC) with its newest version of FSSC 22000 v.5, which includes ISO 22000:2018, ISO/TS 220002-1:2009 and additional FSSC 22000 Requirements. With the fast pace of FSSC, CADPI is gearing up for a bigger challenge to sustain its certification with the newly released FSSC v.5.1.

RBC passed its annual surveillance audit and retained its ISO 9001:2015 Certification last September 2020. With the effective implementation of the Quality System, there were no major nonconformities observed.

Amidst the COVID-19 pandemic situation, both RBC and SCBI obtained from the Food and Drug Authority (FDA) their respective License to Operate and Certificate of Product Registration (CPR) for the production of 70% Ethyl Alcohol. As bioethanol producers, both plants need to leverage their key resources, such as 70% Ethyl Alcohol, and to cope with the nationwide demand for alcohol.

RHI's QA/Safety /IE is committed in ensuring the safety and health of its employees, including contractors, suppliers, visitors, and other stakeholders.

The team consistently looks for new innovative ways in improving the workplace by continuously implementing the Established Occupational Safety and Health Programs, conducting Hazard Identification Risk Assessment and Determination of Control (HIRADC), Safety Quarterly Meetings with all Safety Officers and Safety Committees, conducting Safety Orientations/ refresher sessions to all workers, and other groups. Monitoring procedures are also being improved to ensure compliance to all regulatory requirements, such as the implementation of the Occupational Safety and Health Standards.

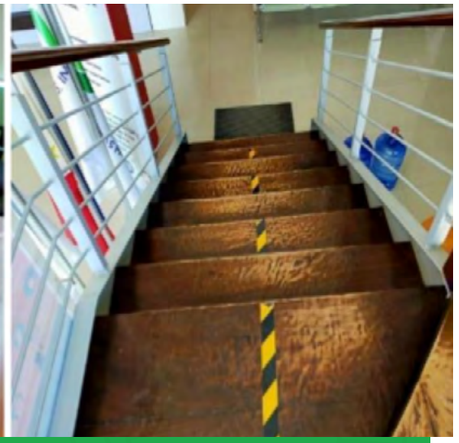
- During this time of pandemic, business continuity is critical. As RHI adopted the "New Normal", it ensures the safety and health of its employees, partners, and other stakeholders by complying to the Guidelines in the workplace for the prevention and control of Corona Virus 2019 (COVID-19) as set forth by the Department of Health, the Department of Trade and Industry, and the Department of Labor and Employment. These include the provisions for face shields, face masks, alcohol stations, footh baths, and other protective mesasures.
- To ensure health and wellness of the employees, the team ensures that the following are conducted regularly: annual physical examination, wellness activities, and Work Environment Measurement. Employees are provided with necessary medical services through accredited medical centers and teleconsultation during the time of pandemic.
- Emergency Disaster Preparedness activities were also conducted to ensure that procedures are followed and revised, if needed, and to promote awareness among employees on what to do in case of emergency situations especially during the pandemic.
- Investigations and Root Cause Analyes were also conducted in line with corrective actions to prevent the recurrence of an incident.
- The process of monitoring of employees' health conditions improved and had resulted to a total of 4,080,890 safe man-hours for Crop Year 2019-2020 and zero local transmission of COVID-19 in RHI, including contractors/agency workers and other stakeholders working inside the plant.

4,080,890

TOTAL SAFE MAN-HOURS WITHOUT LOST TIME INCIDENT FOR CY 19-20

SAFE MAN-HOURS WITHOUT LOST TIME INCIDENT FOR CY 19-20:

CADPI – 1,501,132
SCBI – 683,053
CACI – 979,332
RBC – 917,373



RHI's QA/Safety/IE believes that strong leadership, participation, commitment, and intervention to safety are everyone's responsibility. As such, facilities, equipment and tools shall be designed, operated and maintained according to high standards, in order for injuries and incidents to be prevented.

Safety and health are a challenge in the work environment especially during a pandemic. Initiatives to improve these factors make for a healthy and safe workplace.

SUSTAINABILITY

CORPORATE SOCIAL RESPONSIBILITY

In support of the United Nations Sustainable Development Goals, the Corporate Social Responsibility (CSR) arm of Roxas Holdings, Inc. (RHI) focused its engagements for Crop Year 2019-2020 on the following areas: poverty alleviation through health care, education and livelihood assistance and environmental stewardship; and tapping into volunteerism and local partnerships.

Central Azucarera Don Pedro, Inc. (CADPI) partnered with various organizations and local government units as it rolled out corporate social responsibility projects within and beyond its milling district. Beyond its usual engagements, CADPI shifted its priority to help those affected by the eruption of the Taal Volcano last January 12, 2020 and to assist communities in responding to the COVID-19 pandemic.

On January 13 to 15, 2020, CADPI reached out to 1,576 evacuees in five evacuation centers within Nasugbu, Batangas. In partnership with the Kiwanis Club of CADPI and the Kiwanis Club of Don Pedro Masikhay, CADPI coordinated with the Municipal Social Welfare Office and concerned barangays in providing cooked meals, bottles of water, hygiene kits, face masks and used clothes.

In coordination with Radio Mindanao Network, DZXL Radyo Trabaho, Excel Pack Corp, the League of Corporate Foundations, and P&A Grant Thornton, CADPI provided assistance to the evacuees staying at Nasugbu East Central last January 18, 2020. Three hundred families were given grocery packs, rice, water, sleeping mats and shirts. Rice and canned goods were also provided to individuals temporarily housed by planters in Tuy, Batangas. Three hundred eighty three adopted evacuees of Barangay Tumalim in Nasugbu; Barangay Bolboc in Tuy; and Barangay San Piro in Balayan, Batangas were provided packs containing rice, canned goods, clothes and blankets on January 28 to 30, 2020.

Together with the Philippine Business for Social Progress, CADPI gave out packs that included pails, rice, grocery, blankets and bottles of water last February 1, 10 and 11, 2020 to 100 families adopted by Barangay Tumalim in Nasugbu, Barangays Maywanac and Magahis of Tuy. On February 18, 2020, CADPI brought kitchenware package, rice canned goods, clothes and blankets to 20 families from Sitio Pulo Taal, now declared as a permanent danger zone, who were staying at the Nasugbu Court Evacuation Center.

As of June 7, 2020, CADPI had donated 1,625 pieces of mask; 564 bars of soap; 144 food packs; 116 liters of alcohol; 56 sacks of 25-kilo rice; and 51 sacks of 50-kilo sugar to sugarcane cutters and their families; medical, safety and security frontliners; and the following LGUs: Balayan, Nasugbu, Tuy, Bilaran, Cogunan, Lumbangan, Luntal, Mataas na Pulo, and Munting Indang.

CADPI also donated to sugarcane workers, providing 58 tabaseros with grocery packs and adult vitamins; and vitamin supplements to 30 children in four barangays in Balayan, Batangas.

A total of 6,414 seedlings were planted by San Carlos Bioenergy, Inc. (SCBI) in CY 2019-2020 as part of its Brigada Kalikasan Program. For its bamboo planting project, 148 volunteers planted 404 seedlings at the plant offsite lagoon in partnership with the Department of Environment and Natural Resources at the Don Juan Ledesma Elementary School and Lina de la Viña Valmayor Elementary School.

For SCBI's Sustainable Agroforestry Project, a total of 6,000 seedlings were planted in partnership with the Minapasok Farmers Association, Inc. (MIFA); Barangay Minapasuk; the local government of Calatrava, Negros Occidental; the Provincial Environment and Management Office; Negros Occidental Provincial Environment and Natural Resources Office; and the San Carlos Development Board.

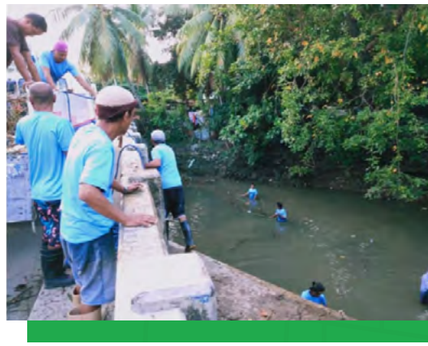
Ten employees of SCBI volunteered to plant 10 seedlings at Barangay Prosperidad in partnership with the San Carlos City Government.

SCBI also took part in coastal and other cleanup drives, recording a total of 1.5 tons of garbage collected with the help of 31 volunteers.

Under its Brigada Kalusugan Program, SCBI handed over three health monitoring items to three health centers in the surrounding barangays of the Plant. As part of its Alcohol Sanitation project, it also gave out 300 N95 masks to PUSCOFAC.

Eighty volunteers to SCBI's bloodletting activity donated 62 bags of blood. SCBI also provided one unit of hands-free alcohol dispenser to the Department of Education in San Carlos and another four units to the City Health Office.

One hundred children were provided food from the Plant's Share-A-Meal Project and 61 learners of Don Juan Ledesma Elementary School were provided Supplemental Feeding.



In response to the pandemic, SCBI's Brigada Eskwela Program provided hands-free alcohol dispensers to 25 public elementary and high schools in San Carlos and helped 100 learners under its Hakbang Tungo sa Pangarap program.

SCBI also extended assistance to planters. With its Project REAP: Rapid Engagement and Assistance to Planters, SCBI reached out to 150 sugarcane planters and 150 children of planters. SCBI also responded to the challenge of COVID 19 by getting in touch with 432 planters and providing 350 N95 masks.

Relief operations for COVID-19 included ethyl alcohol donations of 597 liters to 31 government agencies, 408.5 liters to 28 non-government agencies and 49,040 liters to the MPIC Foundation and Alagang Kapatid Foundation. SCBI also gave 10 cavans of rice to 100 pedicab drivers in partnership with the San Carlos Borromeo Cathedral Parish.

SUSTAINABILITY

ENVIRONMENTAL MANAGEMENT

ENVIRONMENTAL SUSTAINABILITY PROGRAM

The operations of the subsidiaries of Roxas Holdings, Inc. (RHI) are carried out with strict compliance to environmental regulations.

Due to the global pandemic, there was no audit conducted in Crop Year 2019-2020 but the subsidiaries all worked to address and close the issues previously raised during the surveillance audit. The level of compliance has been maintained.

Ethanol subsidiary San Carlos Bioenergy, Inc. (SCBI) has completed the preparation for certification by the International Standards Organization (ISO).

WASTEWATER MANAGEMENT

The sugar and bioethanol production of RHI continue to be both a challenge and an opportunity as the processes produce huge volumes of wastewater. The Group continues to implement "wastewater re-use" which is both beneficial for factory operations and farmers of sugarcane.

For Crop Year 2019-2020, the Environmental Management Department recycled 90,000 m3 or almost 30% of treated wastewater at Central Azucarera Don Pedro, Inc. (CADPI). It also repaired wastewater canals and dredged wetland lagoons.

Thirty percent of treated wastewater is used by CADPI as makeup for scrubbing water and ground watering as mitigating measure for dust emission. CADPI is also partnering with the National Irrigation Administration (NIA) for the use of government canals in Crop Year 2020-2021 as the Plant distributes treated wastewater as irrigation to sugarcane plantations.

SOLID WASTE MANAGEMENT

The team's strict implementation of the waste segregation policy led to almost 50% reduction in solid waste.

CADPI has engaged the Binubusan Multipurpose Cooperative for the conversion of mudpress into organic fertilizer. The cooperative produces organic fertilizers that use mudpress. From October 2019 to September 2020, the cooperative produced 36,888 sacks of FEDMUCO fertilizer, equivalent to 1,844.40 tons of mudpress.

ENVIRONMENTAL SUSTAINABILITY PROGRAM

Each subsidiary has a standing Memorandum of Agreement (MOA) on "Adopt-An-Estero" program with the Department of Environment and Natural Resources (DENR). Under this program, RHI's subsidiaries adopted the following areas:

1. CADPI: Lian-Palico River, which has been expanded in the past crop year to 5 kilometers from 500 meters;
2. Central Azucarera de la Carlota, Inc. (CACI): Mangala and Najalin Rivers;
3. SCBI: Palampas River; and
4. Roxol Bioenergy Corporation (RBC): Tuburan River.

To achieve the goal of rehabilitating and improving the condition of these rivers, each subsidiary leads river cleanup activities quarterly along with some dialogue and information campaign with local residents about environment stewardship and responsibility. RHI subsidiaries are never remiss in their commitment to re- green their vicinities with planting trees. These activities this year were a show of endearing sense of community.

A pollution control officer (PCO) duly accredited by the DENR heads each subsidiary's environmental management unit. RHI ensures that the PCOs' accreditation is kept current and properly reinforced with new knowledge through trainings.

RHI continually supports environmental management with a resolve to give back to Mother Nature.

CADPI has a small plant nursery at Wastewater Treatment Plant area. As of September 30, 2020, CADPI has a total of 675 seedlings composed of the following:

Plant	Quantity
Neem Tree	216
Sampaloc Tree	120
Palmera Tree	200
Acacia Tree	35
Mahogany Tree	104
TOTAL	**675**

SUMMARY OF TREE PLANTING ACTIVITIES

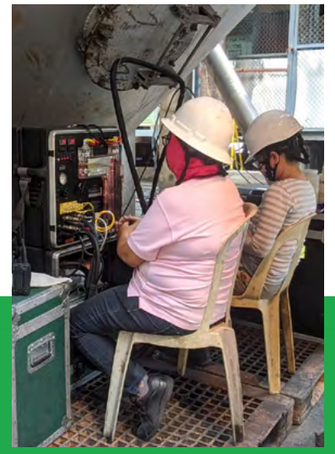
Date	Quantity	Plant	Where
October 18, 2019	105	Mahogany, Acacia and Neem Tree	Bagasse Yard
November 23, 2020	20	Neem Tree	Lian-Palico River near NIA Office
June 9, 2020	14	Knife Acacia	Bagasse Yard
July 2020	229	Varieties	CADPI Plant Nursery
August 2020	487	Knife Acacia, Acacia, Neem Tree, Palmera and April Shower	CADPI Plant Nursery
Total	**855**		

- CADPI donated used sacks to different schools that served as the Evacuation Center of Taal Victims during the Taal Volcano Eruption.
- CADPI donated garbage bins and sacks to the Municipality of Nasugbu, and various barangays and schools.
- EMS distributed sacks of mudpress to different planters.
- CADPI participated in the "Linis Barangay Program" of Brgy. Lumbangan, Nasugbu.
- CADPI celebrated International Coastal Clean Up Day by conducting river cleanup at Brgy. Bilaran, Nasugbu, Batangas last September 19, 2020.
- Attended adopt-an-estero meeting Via goggle meet last September 3, 2020.
- For the IEC of the plant, EMS conducted environmental management orientations to all new employee and contractors before the start of their job.

Compliance to Clean Air Act

CADPI conducted quarterly stack sampling and ambient air monitoring, and passed the DENR standard for air emission. As a result, the DENR-EMB issued a Permit to Operate valid for five (5) years to CADPI and nominated the Plant to the government agency's Philippine Environment Partnership Program for 2019.

In adherence to the frequency set by the DENR-EMB, SCBI, RBC and CACI also conducted ambient air monitoring and stack sampling.



SUSTAINABILITY

HUMAN RESOURCES

Most companies would always say that their people are its best assets; and never has this been more pronounced than during this pandemic. While the company and the industry were beset with challenges from all corners, Corona Virus 2019 (COVID-19) stunned everybody as it became the world's biggest health crisis since the 1918 Spanish Flu pandemic. Like the others, protecting its employees is the number one priority. Safety protocols compliant with the guidelines of the Inter-Agency Task Force (IATF) were implemented in all plants, offices, and facilities. Work-from-home arrangements were also encouraged for applicable roles to lessen the risks. Those working in the plants were assured of a safe and healthy environment. Employees and dependents who were infected by the virus (non-work originated) were taken care of by the company with its health and wellness programs. Income was protected by allowing the employees to use their leave credits for this purpose even during days when they have to do self-quarantine.

But pandemic or not, life continued in the plants and offices of Roxas Holdings, Inc. (RHI). Mandatory safety trainings were implemented for all employees in compliance with the requirements for the workplace set by the Department of Labor and Employmet (DOLE) and the IATF. The usual big events like corporate trainings, engagement programs, and alike were shelved in deference to the situation and the safety of all. A total headcount of 30 cadets based in the Negros Plants were on boarded last November 2019 and became regular employees after six months of intense training. A Leadership Training and Personal Visioning Workshop as well as a Planning, Leading, Organizing and Controlling (PLOC) Program customized for the cadets were facilitated. Department-specific learning sessions have also been conducted by select Subject Matter Experts (SMEs) for potential job assignments. This initiative was also implemented in CADPI, where 11 cadets graduated as well.

One Team, One RHI focused on the achievement of operational excellence throughout the Crop Year, with eyes on hiring, training and retaining talent, all of whom are expected to take the company towards better standing in the industry from 2020 onwards.

Despite the given challenges in the sugar industry brought about by the immediate need to adapt to technological advancements, environmental changes and government directions, RHI and its subsidiaries in Negros Occidental and Batangas showed organizational strength through its people.

Events, interventions and activities done company-wide were all about energizing and mobilizing employees and departments to continue working together as one in producing quality sugar cane-based products and services in the Asia-Pacific region. The Annual Strategic Planning Workshop held last May 2019 became the open venue to share improvements and next steps based on groundwork laid out in the previous crop years. Successes as well as challenges and next steps were discussed amongst Top Management and Line Leaders to ensure all plans materialize.

Key to this is the critical organizational review and changes in response to the needs of RHI to grow. Roles are defined and standardized across the head office and business units which is the anchor of rewards programs and talent management practices.

A total of five Collective Bargaining Agreement (CBA) negotiations were conducted and successfully closed with the unions from Central Azucarera de la Carlota, Inc. (CACI) - two, Roxol Bioenergy Corporation (RBC) – one, and San Carlos Bioenergy, Inc. (SCBI) - one. The fifth one, which was in CADPI, was signed last December 2020. These were done through a blended approach where the union and local management were on site while the corporate participants were online. Despite the pandemic and the challenges of new technology, RHI was able to finish the negotiations accordingly.

The asset sale of CACI and RBC to Universal Robina Corporation (URC) led to the official closure of these companies as part of RHI and with it, the need to redundate its employees. HR focused on ensuring that the former employees of the two companies were paid the benefits due them and in a timely manner as most of them were offered jobs by the new owners.

On a lighter side, the Centennial Anniversary of CACI was celebrated last February 10, 2020 — weeks before the global pandemic was declared. It was a special occasion where employees, planters, officials from the La Carlota City government and the provincial government and other stakeholders were treated to various programs highlighted by an evening event showcasing the talents of CACI employees. Most recently, Mr. Pilipino T. Cayetano, Vice President-Chief Manufacturing Officer for South Neros, and Mr. Gil Morales, Assistant Vice President-Factory Operations Head (FOH) of CACI, were transferred to CADPI as the new VP-CMO of CADPI and SCBI, and AVP, Head of Manufacturing Services of CADPI, respectively. They were brought in to reinforce the leadership team in CADPI given the need to strengthen and protect RHI's Batangas operations.

"...Team RHI and its people are ready to face the challenges and help turn around the page for the company. RHI is ready...to reinvent the business as well."

This has been quite a year. But Team RHI and its people are ready to face the challenges and help turn around the page for the company. RHI is ready not only to push the reset button but to reinvent the business as well.

TRAININGS (CADPI)

Training Title	Date	No. of Hours	No. of Attendees
Bearing Technology and Maintenance Training	October 8 -10, 2019 August 18 - 20, 2020	48	39
Best Practices in Steam Trapping	October 25, 2019	2	21
Root Cause Analysis (RCA) Refresher Course	November 14 - 15, 2019	16	27
Mandatory 8-Hour OSH Seminar for Workers	November 26, 2019 November 27, 2019 November 28, 2019 November 29, 2019 February 20, 2020 February 21, 2020 July 21, 2020 July 22, 2020 July 24, 2020 July 27, 2020 August 3, 2020 August 4, 2020 August 5, 2020 September 4, 2020 September 14, 2020 September 15, 2020 September 23, 2020	136	347
ISO 22000-2018 Awareness to CADPI Leadership Team and FS Team	December 20, 2019	4	28
Cascading of Additional Requirements Focusing on Food Defence, Food Fraud, Mngt of Allergen and Env. Monitoring	December 23, 2019	7	19
IMS Awareness for CADPI Employees	December 26, 2019	2	201
Job Fundamentals Training of Refinery Department	January 21, 2020	8	44
Planning, Leading, Organizing and Controlling (PLOC) Training for the Cadets	February 26-27, 2020	16	13
Team Problem Solving Process Training	March 5 - 6, 2020 September 24 - 25, 2020	32	38
Safety Orientation on Confined Space	May 11, 2020 May 13, 2020 June 3, 2020 June 4, 2020 July 13, 2020	20	72
Safety Orientation on Work-at-Height	May 12, 2020 June 5, 2020 June 6, 2020 June 8, 2020 June 9, 2020 June 10, 2020 June 11, 2020 July 3, 2020 July 7, 2020 July 9, 2020 July 17, 2020	88	91
SuTech Driven Job Fundamentals Training - Refinery Department	August 15, 2020	4	16
SuTech Driven Job Fundamentals Training - Boiling House Department	August 17, 2020	4	45
Orientation on Good Warehousing Practices	August 19, 2020 August 20, 2020	8	20
SuTech Driven Job Fundamentals Training - Boiler Department	September 7, 2020 September 8, 2020	13	32
Learning Session on Environmental Monitoring Program	September 10, 2020	3.5	20
CBA Boiling System Training	September 16, 2020	2.5	37
Refresher and Awareness Session on Additional Requirements of FSSC (Allergen Management)	September 17, 2020	7.5	22
Learning Session on Requirements for Product Recall for Integration to FSMS	September 19, 2020	4	18
Refresher Training Session on Root Cause Analysis and Team Problem Solving Processes	September 21 - 22, 2020	15	16

TRAININGS (SCBI)

Local Trainings	Internal Trainings
NGCP 9th Annual Generators' Conference	First Aid Training
Seminar on the Regulatory Control of Dangerour Drugs	Fire Brigade Training
14th Safety Summit	Enterprise Asset Management User Acceptance Training
Advance PCO Training on Air Quality Management	PLT Teambuilding & Recommitment to Vision
Accredited 8-Hour Orientation Training for Managing Heads on Environmental Regulations	Good Laboratory Practices
Chemical Control Training	Safety Training (STOP)
Renewable Energy Market - Retail Energy Suppliers and Generators Serving Directly Connected Customers	First Aid Refreshers
Renewable Energy Markey Online Training - Eligible RE Generators	PLOC Training for Cadets
WESM Training (Fast Forward to Five: EWDO Full Parallel Operations Program	First Aid Refresher Training
PEMC Webinar on Market Participants' Update: Sustaining Momentum	Labor Relations (for Cadets)
Webinar on Second EWDO Full Parallel Operations Focus Group Discussion	Fermentation Seminar (for Cadets)
Webinar on Compensability of COVID-19 under EC Program	Refresher Training on MS Excel
DOLE NCMB Webinar on COVID-19	Job Fundamentals Training
RHI Webinar on Pandemic Updates & Action Plans	EAM-EUT Training
RHI Webinar on Immunity Nutrition & Immunity Response	8-Hour Mandatory OSH

OPERATIONS VS COVID 19

"Relief operations for COVID-19 included ethyl alcohol donations..."

CADPI implemented safety precautionary measures such as spray-misting of body, taking body temperature, and putting up chlorinated footbaths for employees. It also provided supply of alcohol and washable face masks to employees.

It also supported the community in warding off COVID-19 and lessening the risk of transmission by disinfecting areas around Nasugbu on March 14, 2020.

CADPI raised last March 25, 2020 the "SANA ALL MAY DYOWA" Campaign to fight against COVID-29 which aimed to remind employees to always sanitize, disinfect their working areas and to never assume that the people and the materials known to them are safe.

Even with the rising number of cases in the town, many employees bravely stepped out of their homes and reported to work to serve the nation with the company. With that, in the Management's initiative, CADPI distributed grocery packs as a form of token of appreciation and recognition to those employees who consistently and regularly reported to work from March 30 to April 12, 2020. Around 400 employees were able to claim their grocery packs.

For its part, SCBI responded to the pandemic by providing hands-free alcohol dispensers to 25 public elementary and high schools in San Carlos City under its Brigada Eskwela Program and helped 100 learners through its Hakbang Tungo sa Pangarap program.

SCBI also extended assistance to planters. With its Project REAP: Rapid Engagement and Assistance to Planters, SCBI reached out to 150 sugarcane planters and 150 children of planters. SCBI also responded to the challenge of COVID 19 by getting in touch with 432 planters and providing 350 N95 masks.

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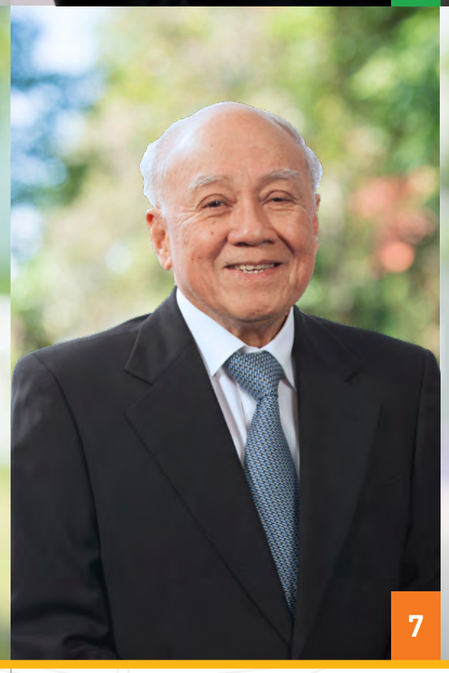
CACI and RBC also extended assistance to the communities in La Carlota City and neighboring towns in response to the pandemic by providing supply of alcohol and rice.

BOARD OF DIRECTORS

1. **PEDRO E. ROXAS**
   Chairman
2. **MANUEL V. PANGILINAN**
   Vice Chairman
3. **CELSO T. DIMARUCUT**
   President & CEO
4. **CHRISTOPHER H. YOUNG**
   Director
5. **RAY C. ESPINOSA**
   Director
6. **ALEX ERLITO S. FIDER**
   Director
7. **OSCAR J. HILADO**
   Lead Independent Director
8. **SANTIAGO T. GABIONZA**
   Independent Director
9. **ARLYN S. VILLANUEVA**
   Independent Director



PROFILES
BOARD OF DIRECTORS

PEDRO E. ROXAS
CHAIRMAN

Pedro E. Roxas is 65 years old and is a Filipino. He has been a member of the Board of Directors since 1982.

Mr. Roxas is the Chairman of the Executive Committee and a member of the Corporate Governance Committee.

He was elected as Acting President & Chief Executive Officer of the company on October 23, 2015. He is also the Chairman of the operating subsidiaries of the company, namely: Central Azucarera Don Pedro, Inc. (CADPI), Central Azucarera de la Carlota, Inc. (CACI), Roxol Bioenergy Corporation (RBC), San Carlos Bioenergy, Inc.(SCBI), and RHI Agri-Business Development Corporation (RHI-ADC).

Mr. Roxas is likewise the Executive Chairman of Roxas & Co., Inc. (RCI) and was the company's President and CEO until 2016; the Chairman of the Philippine Sugar Millers Association (PSMA); the Vice Chairman of the Asean Sugar Alliance; the President of Club Punta Fuego Inc. and of Fundación Santiago; an Independent Director of listed companies: PLDT, Inc. (PLDT) and Manila Electric Company (Meralco) and of non-listed firms: Banco de Oro (BDO) Private Bank, CEMEX Holdings, Philippines, Inc. and MAPFRE Insular; a Director of Brightnote Assets Corporation; a Trustee of Philippine Business for Social Progress (PBSP) and of Roxas Foundation, Inc. (RFI); and a Member of the Equestrian Directorate of Manila Polo Club.

Mr. Roxas was educated at Portsmouth Abbey School, Rhode Island, USA and at the University of Notre Dame in Indiana, USA, where he obtained his degree in Business Administration.

MANUEL V. PANGILINAN
VICE CHAIRMAN

Manuel V. Pangilinan is 74 years old and is a Filipino. He was elected to the Board of Directors on December 3, 2013.

Mr. Pangilinan is the Vice-Chairman of the Board of Directors, a member of the Executive Committee and the Chairman of the Compensation Committee.

Mr. Pangilinan founded First Pacific Company Limited in 1981 and served as its Managing Director until 1999. He was appointed Executive Chairman until June 2003, when he was named Managing Director and Chief Executive Officer. He holds the position of President Commissioner of P. T. Indofood Sukses Makmur Tbk, the largest food company in Indonesia. In the Philippines, Mr. Pangilinan is the Chairman, President & CEO of PLDT, Inc. (PLDT). He is also the Chairman of Smart Communications, Inc. (Smart), Metro Pacific Investments Corporation (MPIC), Manila Electric Company (Meralco), ePLDT, Inc., PLDT Communications and Energy Ventures, Inc. (formerly Pilipino Telephone Corporation), Maynilad Water Services, Inc., Metro Pacific Tollways Corporation), Philex Mining Corporation, PXP Energy Corporation, Landco Pacific Corporation, Medical Doctors, Inc. (Makati Medical Center), Davao Doctors, Inc. and Colinas Verdes Corporation (Cardinal Santos Medical Center), Mediaquest Holdings, Inc. and Associated Broadcasting Corporation (TV5).

He was formerly Chairman of the Board of Trustees of the Ateneo de Manila University and was a member of the Board of Overseers of the Wharton School. In civic duties, Mr. Pangilinan sits as Chairman of the Philippine Business for Social Progress (PBSP), PLDT-Smart Foundation Inc., One Meralco Foundation, Inc., and Co-Chairman of the Philippine Disaster Resilience Foundation (PDRF), and is a Director of the Philippine Business for Education (PBED).

He is Chairman of the Board of Trustees of San Beda College, Co-Chairperson of the Board of Trustees of Stratbase Albert de Rosario Institute and Co-Chairman of the U.S.-Philippine Society.

In sports, Mr. Pangilinan is Chairman of the MVP Sports Foundation Inc., Chairman Emeritus of the Samahang Basketbol ng Pilipinas and Chairman of the Amateur Boxing Association of the Philippines (ABAP).

Mr. Pangilinan has received numerous prestigious awards including Ten Outstanding Young Men of the Philippines (TOYM) Award for International Finance (1983), The Presidential Pamana ng Pilipino Award by the Office of the President of the Philippines (1996), Best CEO in the Philippines by the Institutional Investor (2004), CEO of the Year (Philippines) by Biz News Asia (2004), People of the Year by People Asia Magazine (2004), Distinguished World Class Businessman Award by the Association of Makati Industries, Inc. (2005), Management Man of the Year by the Management Association of the Philippines (2005), and Order of Lakandula (Rank of Komandante) by the Office of the President of the Philippines (2006).

He was voted as Corporate Executive Officer of the Year (Philippines) and Best Executive (Philippines) at the 2007 and 2008 Best-Managed Companies and Corporate Governance Polls conducted by Asia Money. Mr. Pangilinan also received the Best CEO award from Finance Asia Magazine (2012) and the Executive of the Year Award from the Philippine Sports Writers Association (PSA) (2014). In July 2015, Jaycees Philippines and the Asian Institute of Management (AIM) conferred him the 2015 Ramon V. del Rosario (RVR) Lifetime Achievement Award for his outstanding contributions to nation-building and exemplary corporate citizenship.

Mr. Pangilinan graduated cum laude from the Ateneo de Manila University, with a Bachelor of Arts degree in Economics. He received his MBA degree from the Wharton School at the University of Pennsylvania. He was awarded the First Honorary Doctorates Degree in Management by the Asian Institute of Management in 2016, Honorary Doctorates in Science by the Far Eastern University in 2010, and in Humanities by the Holy Angel University in 2008, by Xavier University in 2007 and by San Beda College in 2002 in the Philippines.

CELSO T. DIMARUCUT
DIRECTOR, PRESIDENT & CEO

Celso T. Dimarucut is 59 years old and is a Filipino. He was elected as member of the Board of Directors and appointed as President/Chief Executive Officer (PCEO) effective December 16, 2020. He served as Officer-in-Charge of RHI and its subsidiaries from October 29, 2020 to December 15, 2020. He was EVP-CFO and Group Head of Finance from December 1, 2015 to December 15, 2020.

Prior to joining the company, Mr. Dimarucut served as Senior Executive Vice President and Chief Finance Officer of Landco Pacific Corporation and its subsidiaries; Senior Vice President and Group Chief Finance Officer of Mediaquest Holdings, Inc. and its subsidiaries; Senior Vice President and Group Chief Finance Officer of ePLDT, Inc. and Subsidiaries; First Vice President and Group Controller of PLDT; First Vice-President and Group Financial Controller for domestic subsidiaries of Metropolitan Bank & Trust Company; and Finance Head of Pilipino Telephone Corporation (Piltel), and later, as Comptroller of then Philippine Long Distance Telephone Company which was renamed PLDT, Inc. after Piltel's integration to Smart Communications, Inc. where he managed the overall financial reporting functions of the Group. Mr Dimarucut has more than 10 years of professional audit and business advisory experience gained from SyCip, Gorres Velayo & Co. and Prasetio Utomo & Co. (Jakarta, Indonesia).

He graduated Cum Laude at the Polytechnic University of the Philippines with a degree of BS Commerce Major in Accounting. He is a Certified Public Accountant.

CHRISTOPHER H. YOUNG
DIRECTOR

Christopher H. Young is 63 years old and is a British. He was elected to the Board of Directors on May 23, 2015. Mr. Young is a member of the Audit & Risk Committee.

Mr. Young is the Executive Director and Chief Financial Officer of First Pacific Company Limited in Hong Kong. He is currently a Director of Metro Pacific Investments Corporation, Goodman Fielder Pty Limited, PacificLight Power Pte. Ltd., and FPM Power Holdings Limited. He is also a member of the Advisory Board of PLDT, Inc. Mr. Young is also a Commissioner of PT Indofood Sukses Makmur Tbk and a Trustee of IdeaSpace Foundation, Inc. He worked for PricewaterhouseCoopers in London and Hong Kong from 1979 until 1987, at which time he joined First Pacific as Group Financial Controller. Mr. Young moved to Metro Pacific Corporation in 1995 as Finance Director until November 1998 when he became the Chief Financial Advisor of PLDT. He returned to First Pacific as Chief Financial Officer in 2015 and as a member of the Board in August 2017.

Mr. Young graduated at the Waid Academy at Fife, Scotland. He finished his Master of Arts in Economics with Honors at St. Andrews University. He has been a member of the Institute of Chartered Accountants in England and Wales since 1982.

RAY C. ESPINOSA
DIRECTOR

Ray C. Espinosa is 64 years old and is a Filipino. He was elected to the Board of Directors on December 3, 2013.

Atty. Espinosa is an Associate Director of First Pacific Company Limited. He is a Director of PLDT Inc., Smart Communications, Inc., Manila Electric Company (Meralco), Metro Pacific Investments Corporation, Meralco PowerGen Corporation, First Agri Holdings Corporation and First Coconut Manufacturing Inc. He also serves as an Independent Director of Lepanto Consolidated Mining Company (Lepanto) and Maybank Philippines, Inc. (Maybank Philippines). He is the Chairman of the Audit Committee and Nomination Committee of Lepanto and the Risk Management Committee of Maybank Philippines.

Atty. Espinosa is the President and Chief Executive of Meralco, the Chief Corporate Services Officer of PLDT and Smart, and Head of PLDT's Regulatory and Strategic Affairs Office. He is also a Trustee of the Beneficial Trust Fund of PLDT. He is the Chairman of PhilStar Daily, Inc. and BusinessWorld Publishing, Inc. He is the Vice Chairman of First Agri Holdings, Inc. and First Coconut Manufacturing, Inc. He is also the President and Chief Executive Officer of Mediaquest Holdings, Inc. He joined First Pacific in 2013. He is currently First Pacific Group's Head of Government and Regulatory Affairs and Head of Communications Bureau for the Philippines.

Prior to joining the PLDT Group in 2000, Atty. Espinosa was a law partner at SyCip Salazar Hernandez & Gatmaitan, the largest law firm in the Philippines, until June 2000 and was a member of the firm's Executive Committee. He was a law lecturer at the Ateneo de Manila School of Law from 1983 to 1985 and in 1989. After finishing his Master of Laws degree, he worked as a foreign associate in Covington & Burling, the largest law firm in Washington, D.C., USA, from September 1987 to August 1988.

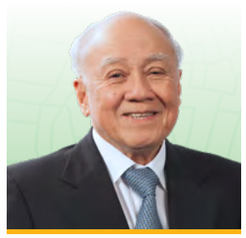
He is a member of the Integrated Bar of the Philippines, Philippine Bar Association, and Inter-Pacific Bar Association. He is also a member of the Executive Committee of LAWASIA Energy Section. Asia Law & Practice, Euromoney and The Asia Pacific Legal 500 named Atty. Espinosa as one of the leading capital market lawyers, and among the leading project finance lawyers, in the Philippines from 1996 to 2002. Atty. Espinosa finished his Bachelor of Laws degree at the Ateneo de Manila University, graduating Salutatorian, and his Master of Laws degree at the University of Michigan Law School. He took up Bachelor of Science in Pre-Medicine at the University of Santo Tomas. Atty. Espinosa placed first in the Philippine Bar Examinations of 1982, and was a Fellow of the University of Michigan Law School's Clyde Alton Dewitt Scholarship Foundation.

ALEX ERLITO S. FIDER
DIRECTOR

Alex Erlito S. Fider is 67 years old and is a Filipino. He was elected to the Board of Directors on December 3, 2013.

His legal experience spans over three decades of involvement in corporate transactions and projects. His legal work extends to an array of corporate and financial matters to companies involved in public infrastructure, water, and power utilities, telecommunications, mass media, banking and finance, real estate development, and agriculture. He is a specialist in the various fields of commercial, civil, telecommunications and public utilities law. Atty. Fider is a Director and Corporate Secretary of several Philippine corporations, including Metro Pacific Tollways Corporation, Metro Pacific Tollways Development Corporation, Manila North Tollways Corporation, Tollways Management Corporation, Smart Communications, Inc. and Maynilad Water Services, Inc. He is actively involved in the Financial Executives Institute of the Philippines (FINEX) and Institute of Corporate Directors where he is a Fellow. He is a member of the Board of Trustees of non-profit organizations like the Metropolitan Manila Cathedral Basilica Foundation and TV 5 Alagang Kapatid Foundation.

Atty. Fider graduated from the University of the Philippines with degrees in Economics and Law. He was admitted to the Philippine Bar in 1985 and undertook specialized courses in Strategic Economics and Corporate Governance in the Philippines and Australia, respectively.



OSCAR J. HILADO
LEAD INDEPENDENT DIRECTOR

Oscar J. Hilado is 83 years old and is a Filipino. He has been a member of the Board of Directors since May 11, 2016. Mr. Hilado is the Lead Independent Director and the Chairman of the Corporate Governance Committee. He is also a member of the Executive, Audit & Risk, and Compensation Committees.

He is the Chairman of the Board of Philippine Investment Management (PHINMA), Inc.; Phinma Corp.; Phinma Property Holdings Corp.; and Union Galvasteel Corporation. Mr. Hilado is also the Vice Chairman of Trans Asia Power Generation Corporation and Trans-Asia Petroleum Corporation. He is the Chairman of the Executive Committee of Phinma Corp.

He is also a director of A. Soriano Corporation; First Philippine Holdings Corporation; Philex Mining Corporation; United Pulp and Paper Co., Inc.; Beacon Property Ventures, Inc.; Manila Cordage Company; Smart Communications, Inc.; Digital Telecommunications Philippines, Inc. (DIGITEL); Pueblo de Oro Development Corporation; Seven Seas Resorts and Leisure, Inc.; Asian Eye Institute; Rockwell Land Corporation; Araullo University, Inc.; Cagayan de Oro College, Inc.; University of Iloilo, Inc.; University of Pangasinan, Inc.; Southwestern University; PEN Holdings, Inc.; Microtel Inns & Suites (Pilipinas), Inc.; and Trans Asia Renewable Energy Corporation. Mr. Hilado is an Honorary Consul of Ecuador.

He was a Smith Mundt/Fullbright scholar at the Harvard Graduate School of Business where he obtained his Master's Degree in Business Administration in 1962. He is a Certified Public Accountant (CPA) with a Bachelor of Science in Commerce degree from the De La Salle College in Bacolod in 1958. He earned his Doctorate in Business Management, Honoris Causa, from the De La Salle University in 1992 and in 2003, attained his Doctorate of Law, Honoris Causa, from the University of St. La Salle. He was awarded the MAP Management Man of the Year in 1991.

SANTIAGO T. GABIONZA
INDEPENDENT DIRECTOR

Santiago T. Gabionza is 63 years old and is a Filipino. He was elected as an Independent Director to the Board of Directors on April 30, 2019 and as a member of the Corporate Governance and Compensation Committees.

Atty. Gabionza is a founding partner of Villanueva Gabionza and Dy Law Offices; a Fellow at the Institute of Corporate Directors; and a Member of the Board of Directors of various corporations. Atty. Gabionza is a member of the Asia Pacific Lawyers Association, Philippine Lawyers Literary Club, Inc., ASEAN Law Association of the Philippines, Philippine Trial Lawyers Association, and Philippine Bar Association. He is also a member of Club Filipino, Quezon City Sports Club, Mimosa Golf and Country Club, Tagaytay Highlands Country Club, The Tower Club and The Celebrity Club.

He was a former Director of the Legal Management Council of the Philippines and past Grand Master, Grand Lodge of Free and Accepted Masons of the Philippines.

He also served in various capacities, as: Legal Consultant for then Ministry of Human Settlements; Senior Associate Lawyer at Balgos & Perez Law Offices; former President of the Northern Power Development Corporation; Corporate Secretary/Rehabilitation Counsel of Victorias Milling Company, Inc.; Rehabilitation Receiver of Steel Corporation of the Philippines; former Consultant to the Secretary of the Department of National Defense; former Consultant of the Committee on Justice at the House of Representatives; former OIC-President, Member of the Board of Directors and Chairman of the Audit Committee of Maynilad Water Services, Inc. He was also a College Instructor at The Catanduanes College; a Professorial Lecturer at the Philippine School of Business Administration; a Lecturer at Business Law Journal; a staff of the Ateneo Law Journal; Associate Editor of The Lance - the official organ of Letran College; a past President of the Catandungan Foundation, Inc. and a former President of the Integrated Bar of the Philippines - Makati Chapter.

Atty. Gabionza graduated Summa Cum Laude with a Bachelor of Arts degree, major in Economics at Colegio de San Juan de Letran. He finished Second Honors with Bachelor of Laws at the Ateneo de Manila College of Law. He passed the Philippine Bar examinations in 1981.

ARLYN S. VILLANUEVA
INDEPENDENT DIRECTOR

Arlyn S. Villanueva is 64 years old and is a Filipino. She was elected as an Independent Director to the Board of Directors on April 30, 2019 and as Chairman of the Audit & Risk Committee.

Dr. Villanueva is a partner of accounting firm Sicangco Menor Villanueva CPAs (SMV). She sits as an independent director of the Metro Pacific Transport Corporation (MPTC), the transport group of the Metro Pacific conglomerate, since 2009 and the Manila North Tollways Corporation (MNTC) since 2014. She chairs the audit committees of both companies.

She is currently a member of the Professional Regulatory Commission's Board of Accountancy. She has been in practice for more than 35 years, with her field of competence being in audit and management consultancy. Dr. Villanueva is also involved in accreditation, performance evaluation, strategic planning and development, as well as forecasting and budgeting projects for academic institutions, being exposed to the academe for over 30 years.

In June 2014, she concluded her eight-year term as President of the Holy Angel University, which she had served for 33 years. Before she was appointed as University President in August 2006, she served as Dean and full professor of the College of Business & Accountancy for 25 years, and of the Graduate School for 10 years.

Dr. Villanueva was admitted as a Fellow of the Institute of Corporate Directors in August 2014.

She has held various positions at the Philippine Institute of Certified Public Accountants (PICPA), both at the local and national levels. She was President of the Philippine Association of Collegiate Schools of Business (PACSB) in 2005 and 2006. She is also a member of the Association of Certified Public Accountants in Education, the Management Association of the Philippines, the Philippine Marketing Association, and the International Council on Hotel, Restaurant and Institutional Education - Asia Chapter.

Dr. Villanueva obtained her Accounting degree (BSC) from Holy Angel University in Angeles City in 1977 and passed the CPA licensure examinations in 1978.
She pursued her studies and took her Master's Degree in Business Management from the Ateneo Graduate School of Business in 1982. She took her Doctorate Degree in Business Administration from De La Salle Graduate School of Business where she graduated in 2003 "With Distinction".

In 2011, she pursued her post-doctorate studies and completed the Advance Management Program, a program designed for top executives from all over the world, at the Harvard Business School (AMP181) in Boston, Massachusetts; and in December 2014, she completed the one-year Challenges of Leadership Programme: Crafting Reflective Leaders at the Insead Business School in Fontainebleau, France.

Dr. Villanueva was awarded the Most Outstanding President of PICPA in 2004.

In 2010, she received the Outstanding CPA in Education Award, in recognition of her outstanding achievement and distinguished performance as an accounting educator. In 2012, she received the Honorary Life Member Award, given to a PICPA member whose outstanding contribution has national impact.

In May 2014, Dr. Villanueva was one of the Outstanding Filipino Mothers who was honored and recognized in the 21st Ulirang Ina Awards organized by the Mother's and Father's Day Foundation.

PROFILES
BOARD OF ADVISORS

SENEN C. BACANI
ADVISOR

Senen C. Bacani is 75 years old and is a Filipino. He was formerly a member of the Board of Directors and was elected as a member of the Board of Advisors on December 11, 2013.

Mr. Bacani is the President of Ultrex Management & Investments Corp.; Chairman & President of La Frutera, Inc.; Chairman of Trully Natural Food Corporation; a Director of Swift Foods, Inc.; a Private Sector Representative of APEC Policy Partnership on Food Security, ABAC Philippines; Director of the Philippine Chamber of Agriculture & Food, Inc., Icebox Logistics Services, Inc., Franklin Baker Co. of the Philippines; and a Member of the Board of Advisors of East-West Seed Philippines, Inc. and of the National Competitiveness Council.

He is also a member of the Board of Trustees of the Philippine Rice Research Institute, and the Vice-Chairman of the Technical Advisory Committee of the PCARRD (DOST). Mr. Bacani is also involved in various non-government and people's organizations.

He obtained his degree in Bachelor of Science in Commerce at the De La Salle University, graduating Summa Cum Laude and Class Valedictorian, and his Masters in Business Administration at the University of Hawaii, USA. He passed the CPA Board Exams in 1966.

VICENTE S. PEREZ
ADVISOR

Vicente S. Perez is 62 years old and is a Filipino. He was elected as a member of the Board of Advisors on March 25, 2009.

Mr. Perez is an avid environment advocate and renewable energy investor. He is CEO of Alternergy, a wind and mini-hydro power developer, and Chairman of Merritt Partners, an energy advisory firm, and Chairman of Solar Pacific, an off-grid island solar PV developer.

He has been an independent director of regional companies in Australia, the Philippines and Singapore. He is an independent director of ST Telemedia, the Temasek holding company for telecom, data centers and mobile technology, and is an Independent Board Adviser of Banco de Oro, the Philippines' largest commercial bank. He is a member of the Advisory Boards of Coca-Cola FEMSA Philippines, Geneva-based Pictet Clean Energy Fund, and the Yale Center for Business and Environment. His philanthropy involvements are focused on the environment. Mr. Perez is chairman of the National Advisory Council of WWF-Philippines and treasurer of the WWF-International Board, and a trustee/adviser of the Asian Conservation Foundation, Bhutan Foundation, Solar Energie Foundation and Solar Car Challenge Foundation. Mr. Perez was Philippine Energy Minister from 2001 to 2005. He boosted energy self- sufficiency, promoted clean indigenous energy, and crafted an ambitious renewable policy framework. He served briefly in early 2001 as Deputy Minister for Trade and Industry.

Prior to 2001, Mr. Perez had 17 years' experience first in Latin American debt restructuring at Mellon Bank in Pittsburgh, and later in debt trading, capital markets, and private equity in emerging countries at Lazard in London, New York and Singapore. At 35, he became General Partner at New York investment bank Lazard Frères as head of its Emerging Markets Group. He was Managing Director of Lazard Asia in Singapore from 1995 until 1997.

Mr. Perez founded Next Century Partners in 1997, a private equity firm based in Singapore. In 2000, he founded Asian Conservation Company that acquired El Nido Resorts, an award- winning eco-tourism destination in Palawan. In 2006, he invested in Northwind Power, the first commercial wind farm in Southeast Asia.

He has consulted for the Asian Development Bank (ADB), International Finance Corporation (IFC) and numerous firms on renewable energy. With his various involvements, the media has dubbed him as the Philippines' "renewable czar".

Mr. Perez obtained an MBA from the Wharton Business School of the University of Pennsylvania in 1983 and a Bachelor's Degree in Business Economics from the University of the Philippines in 1979. He was a 2005 World Fellow at Yale University, where he lectured an MBA class on renewable power in emerging countries.

BOARD COMMITTEES

EXECUTIVE COMMITTEE

Chairman:
Pedro E. Roxas

Members:
Manuel V. Pangilinan
Oscar J. Hilado (ID)

AUDIT & RISK COMMITTEE

Chairman:
Arlyn S. Villanueva

Members:
Christopher H. Young
Oscar J. Hilado (ID)

CORPORATE GOVERNANCE COMMITTEE

Chairman:
Mr. Oscar J. Hilado (ID)

Members:
Pedro E. Roxas
Santiago T. Gabionza (ID)

COMPENSATION COMMITTEE

Chairman:
Manuel V. Pangilinan

Members:
Santiago T. Gabionza
Oscar J. Hilado (ID)

CORPORATE OFFICERS

1. **PEDRO E. ROXAS**
   Chairman
2. **MANUEL V. PANGILINAN**
   Vice Chairman
3. **CELSO T. DIMARUCUT**
   President & CEO
4. **CYNTHIA L. DELA PAZ**
   Corporate Secretary
5. **GEORGE T. CHEUNG**
   Executive Vice President/Chief Commercial Operations/Chief Risk Officer
6. **MA. HAZEL L. RABARA-RETARDO**
   Treasurer/Vice President
   Head - Legal & Treasury
7. **PILIPINO T. CAYETANO**
   Vice President/Chief Manufacturing Officer - CADPI & SCBI/Chief Compliance Officer
8. **FREDERICK E. REYES**
   Vice President - Human Resources/ Chief Governance Officer
9. **VERONICA C. CORTEZ**
   Vice President - Finance & Administration
   Deputy Risk Officer
   Data Privacy Officer
10. **JAYNEL R. SULANGI**
    Vice President/Head - Information & Communications Technology
11. **JULIUS G. RUGAS**
    Vice President/Head - Refined Sugar Operations - CADPI
12. **JOSE MANUEL D. MAPA**
    Vice President/General Manager
    RHI Agri-business Development Corporation
13. **JAYPEE V. JIMENEZ**
    Assistant Vice President/Head
    Procurement & Materials Management
14. **JOSEPHINE M. LOGROÑO**
    Assistant Vice President/Head - Internal Audit
15. **AIMEE E. PEDAYO**
    Assistant Corporate Secretary
    Manager, Legal
    Deputy Compliance Officer

PROFILES

CORPORATE OFFICERS

PEDRO E. ROXAS
CHAIRMAN

MANUEL V. PANGILINAN
VICE CHAIRMAN

CELSO T. DIMARUCUT
PRESIDENT & CEO

**Profiles of the above are under the BOARD OF DIRECTORS.*

CYNTHIA L. DE LA PAZ
CORPORATE SECRETARY

Cynthia L. de la Paz is 58 years old and is a Filipino. She has been the Corporate Secretary of the Group since February 15, 2017.

Atty. de la Paz has been a practicing corporate lawyer for three decades, and is a senior partner at Picazo Buyco Tan Fider & Santos. She presently serves as corporate secretary or assistant corporate secretary of various Philippine companies. Her practice areas include project financing, debt capital market transactions, mergers and acquisitions and investments. She also has special practice in taxation and directly participates in tax reform initiatives and other advocacies relating to tax administration and practice through the professional tax organization, Tax Management Association of the Philippines (TMAP), of which she has been a director for the last ten (10) years.

Atty. de la Paz obtained her law degree from the University of the Philippines where she also took Psychology.

GEORGE T. CHEUNG
EXECUTIVE VICE PRESIDENT – CHIEF COMMERCIAL OFFICER/CHIEF RISK OFFICER

George T. Cheung is 46 years old and is a Filipino. He was appointed on December 16, 2020 as Executive Vice President - Chief Commercial Officer/ Chief Risk Officer effective January 15, 2021. He was the Group's Senior Vice President for Marketing & Trading, which was later renamed Commercial Operations, from January 2015 to April 2019.

He has over 20 years of experience in the field of agricultural and energy commodities, specializing in sugar, fuel ethanol and thermal coal. After serving as Head of RHI's Commercial Operations for four years, he joined PILMICO as Vice President - Head of Trading. He has held senior commercial, general management and business development roles in the Philippines, Hong Kong, Taiwan and Mainland China for leading global commodities companies like Cargill, ED&F Man, Sucden, Wilmar and Trafigura, among others.

Mr. Cheung obtained his MBA from Duke University and has a Bachelor in Agricultural Sciences degree from the University of British Columbia, major in Food Science and Agricultural Economics.

MA. HAZEL L. RABARA-RETARDO
TREASURER & VICE PRESIDENT
HEAD - LEGAL & TREASURY

Ma. Hazel L. Rabara-Retardo is 40 years old and is a Filipino.

She was promoted as Vice President for Legal and Treasury on October 16, 2020. She was appointed as Treasurer on December 16, 2020. She joined RHI as Assistant Vice President for Corporate Governance and Deputy Compliance Officer on September 20, 2016.

Prior to joining RHI, Atty. Rabara-Retardo was Vice President for Legal & Administrative Affairs/Corporate Secretary of Advanced Merchant Payments Lending Corporation, an affiliate of Amplifi Capital (HK) Ltd. and AMP Credit Technologies, Ltd. where she likewise provided support in legal and contracts management and other roles for the AMP Group which has operations in Hong Kong, Singapore and the United Kingdom. She also worked as Court Attorney V at the Office of the Presiding Justice Ernesto Acosta of the Court of Tax Appeals. Atty. Rabara-Retardo also worked as an associate in the Tan Venturanza Valdez Law Office where she was assigned as Corporate Secretary of various private and publicly-listed companies.

She obtained her Bachelor of Laws degree and Bachelor of Arts Major in Political Science at the University of the Philippines in Diliman, Quezon City.

PILIPINO T. CAYETANO
VICE PRESIDENT
CHIEF MANUFACTURING OFFICER - CADPI & SCBI
CHIEF COMPLIANCE OFFICER

Pilipino T. Cayetano is 51 years old and is a Filipino. He was appointed as Chief Compliance Officer on December 16, 2020 and is the Vice President/ Chief Manufacturing Officer (VP/CMO) of Central Azucarera Don Pedro, Inc. (CADPI) and San Carlos Bioenergy, Inc. (SCBI) following his appointment on October 12, 2020 after serving as VP/CMO of then Central Azucarera de la Carlota, Inc. (CACI) from May 3, 2019 and Roxol Bioenergy Corp. (RBC) from August 1, 2019 up to September 30, 2020.

He has 25 years of experience in the fast moving consumer goods industry, covering the end-to-end process of supply chain. He has strong foundation in Continuous Improvement and Operational Excellence. He had received several awards as a leader for consistently exceeding business key performance targets in quality, productivity and cost.

Mr. Cayetano served as Processing Operations Director of Cargill Joy Meat Products, Inc. (C-Joy), a joint venture between Jollibee and Cargill from 2016 to 2019. He spent over 20 years at Coca Cola Bottlers Philippines, Inc. (CCBPI) as plant head of major operating units: Sta. Rosa 1 and 2; Davao; and San Fernando, Pampanga. He also served as Manufacturing Director at Zenith Foods Corporation, a subsidiary of Jollibee Foods Corp. He also worked as Senior Operations Manager at B/E Aerospace BV - Philippine Branch and as Plant Operations Manager at San Miguel Packaging Specialist, Inc. in San Fernando, Pampanga.

Mr. Cayetano was a consistent academic scholar who graduated with a Bachelor of Science degree in Electronics and Communications Engineering at the Polytechnic University of the Philippines. He is a registered Electronics and Communications Engineer.

FREDERICK E. REYES
VICE PRESIDENT - HUMAN RESOURCES
CHIEF GOVERNANCE OFFICER

Frederick E. Reyes is 59 years old and is a Filipino.

He was appointed as Chief Governance Officer on December 16, 2020 and is currently the Vice President for Human Resources. He was appointed as Assistant Vice President & Deputy Head of Human Resources on February 1, 2014 and was promoted to Vice President & Deputy Head of Human Resources on January 5, 2015.

Prior to joining RHI, Mr. Reyes worked with Manila Water Company for 15 years where he handled various HR areas such as training and OD, performance and rewards management, employee relations, internal communications, and labor relations. The company was awarded by the People Management Association of the Philippines as 2006 "Employer of the Year" and was the first Philippine company to win the Human Capital Award in 2011. Mr. Reyes also worked with Globe Telecom as HR Manager in the 1990s when it transformed from a data company to a full-pledged telecom service provider. He started his career in Vitarich Corporation.

A licensed Industrial Engineer, Mr. Reyes obtained his degree in Industrial Engineering from the University of Sto. Tomas.

VERONICA C. CORTEZ
VICE PRESIDENT – FINANCE & ADMINISTRATION
DEPUTY RISK OFFICER
DATA PRIVACY OFFICER

Veronica C. Cortez is 41 years old and is a Filipino.

She was promoted to Vice President for Finance and Administration on October 16, 2020. She was appointed Deputy Risk Officer and Data Privacy Officer on December 16, 2020. She joined RHI as Assistant Vice President of Finance on February 10, 2016.

She has over 10 years of experience in external auditing. She worked with SyCip Gorres Velayo & Co. (SGV) as Senior Director from September 2009 to 2015. She started her career with SGV as an Associate and moved to become Senior Associate, Associate Director and then Director. She also worked as a Senior Associate in the Resource Sharing Program of Ernst & Young Houston, Texas Office.

Ms. Cortez graduated with a degree in BS Accountancy from San Sebastian College Recoletos de Cavite and is a Certified Public Accountant (CPA).

JAYNEL R. SULANGI
VICE PRESIDENT/HEAD – INFORMATION & COMMUNICATIONS TECHNOLOGY

Jaynel R. Sulangi is 46 years old and is a Filipino. He was appointed VP/Head of Information & Communications Technology on March 21, 2018.

Mr. Sulangi was VP for SAP Project Management at Deutsche Bank group before joining Roxas Holdings, Inc. He also worked at PLDT and Smart Communications, Inc. for seven years as Senior Manager, IT-Resource Planning (ERP) and later, as Solutions Architect at the Program Management Office. He also worked at SAP, SSIP and Business Applications and Network Technologies. He is a Certified SAP Consultant in Production Planning since 1997.

Mr. Sulangi graduated Cum Laude with Bachelor of Science in Industrial Engineering degree at the University of the Philippines.

JULIUS G. RUGAS
VICE PRESIDENT/
HEAD - REFINED SUGAR OPERATIONS – CADPI

Julius G. Rugas is 44 years old and is a Filipino. He was appointed as Vice President/Head - Refined Sugar Operations of Central Azucarera Don Pedro, Inc. (CADPI) on January 11, 2021 after serving as Vice President/ Manufacturing Operations Head of CADPI from July 1, 2019 to January 2021.

Mr. Rugas has over 21 years of experience working in various leadership and technical roles in plant operations. Prior to joing the RHI Group, Mr. Rugas was with URC Branded Consumer Foods group. He headed some of URC's major plants such as the Cavite and Canlubang operations. He also worked for RFM Meat Division where he performed the roles of Plant Manager and QA Manager. He started his career in Unilver where he was involved in quality assurance and food solutions.

He is a BS Food Technology graduate of the University of Santo Tomas.

PROFILES
CORPORATE OFFICERS

JOSE MANUEL D. MAPA
VICE PRESIDENT/
GENERAL MANAGER
RHI AGRI-BUSINESS
DEVELOPMENT
CORPORATION

Jose Manuel D. Mapa is 54 years old and is a Filipino. He was appointed as VP/GM of RHI Agri-business Development Corporation on January 8, 2018.

Mr. Mapa served 2GO Group, Inc. for 20 years where he made major contributions as EVP for Key Accounts and Supply Chain Solutions (2015-2017) and EVP for Freight Sales and Operations - Luzon (2011-2014). Prior to that, he also worked as EVP for Corporate Sales at Negros Navigation Co., Inc. and as Operations Manager at Waterman Bacolod, Inc. He also manages a sugarcane farm in Talisay, Negros Occidental.

Mr. Mapa obtained his MBA with High Academic Honors from the University of St. La Salle Graduate School in Bacolod and holds a Bachelors degree in Agribusiness Management from the University of the Philippines Los Baños in Laguna.

JAYPEE V. JIMENEZ
ASSISTANT VICE
PRESIDENT/HEAD
PROCUREMENT &
MATERIALS MANAGEMENT

Jaypee V. Jimenez is 37 years old and is a Filipino. He was appointed AVP/Head of Procurement & Materials Management on February 15, 2018.

Mr. Jimenez was Senior Manager of Procurement at Roxas Holdings, Inc. from June 2016 to February 2018, serving both the sugar and bioethanol units. Prior to that, he was Manager for MRO Procurement at Coal Group in Aboitiz Power Corporation. He also served as Supervisor for Procurement at AP Renewables, Inc., as Procurement Engineer at Bilfal Heavy Industries at the Kingdom of Saudi Arabia, and as Engineering Buyer at the Asian Terminals Incorporated.

Mr. Jimenez graduated with a B.S. Mechanical Engineering degree at the Polytechnic University of the Philippines and later took up Masters in Business Administration at the De La Salle University. He is a licensed Mechanical Engineer, a Certified Professional in Supply Management (CPSM) and a Certified Purchasing Professional (CPP). Mr. Jimenez is affiliated with the Philippine Society of Mechanical Engineers and Philippine Institute of Supply Management.

JOSEPHINE M. LOGROÑO
ASSISTANT VICE PRESIDENT
HEAD - INTERNAL AUDIT

Josephine M. Logroño is 45 years old and is a Filipino. She was appointed as AVP and Group Head of Internal Audit on February 1, 2018.

Ms. Logroño has 20 years of experience in both internal and external auditing. She began her career in audit with Sycip, Gorres, Velayo (SGV) & Co. and subsequently with Holcim Philippines, Inc., a multinational cement manufacturing. She has served as Internal Audit Manager with Shang Properties, Inc. and Arthaland Corporation.

Ms. Logroño graduated with a degree in BS Accountancy from the University of Sto. Tomas. She is a Certified Public Accountant (CPA) and a Certified Internal Auditor.

AIMEE E. PEDAYO
ASSISTANT CORPORATE
SECRETARY
MANAGER, LEGAL
DEPUTY COMPLIANCE
OFFICER

Aimee E. Pedayo is 29 years old and is a Filipino. She was appointed as Legal Manager on January 14, 2019 and was subsequently appointed as Assistant Corporate Secretary on June 4, 2020. Atty. Pedayo was an Associate at Puno and Puno Law Offices prior to joining the Company. Atty. Pedayo obtained her Bachelor of Science in Commerce, Major in Legal Management from De La Salle University-Manila. She obtained her Juris Doctor Degree from the Ateneo De Manila University - Law School, where she graduated with Second Honors.

2020
FINANCIAL STATEMENTS

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 City, Metro Manila

Opinion

We have audited the consolidated financial statements of Roxas Holdings, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at September 30, 2020 and 2019, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in period ended September 30, 2020, 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, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended September 30, 2020 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

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

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 warehouse receipt document which shows ownership of a specified amount of raw sugar in a warehouse or sugar central. 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 accounts 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

We have confirmed our 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, 2020, the Group's goodwill, which is attributable to its investment in San Carlos Bioenergy, Inc., the cash generating unit (CGU), has been fully impaired. The goodwill amounted to ₱1.1 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, specifically sales growth, terminal growth rate, alcohol selling price, feedstock yield, manufacturing cost ratio, operating expenses ratio, 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 assumptions used. These assumptions include sales growth, terminal growth rate, alcohol selling price, feedstock yield, manufacturing cost ratio, operating expenses ratio, and discount rate. We compared the key assumptions used, such as sales growth, terminal growth rate, alcohol selling price, feedstock yield manufacturing cost ratio and operating expense ratio against the CGU's historical performance, current industry outlook and other relevant external data. We tested the parameters used in the determination of the discount rate against market data. We obtained and evaluated management's sensitivity analyses to ascertain the impact of reasonably possible changes in key assumptions. We performed our own independent sensitivity calculations to quantify the downside changes to management's models required which will 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, 2020, the carrying value of land classified as property, plant and equipment and investment properties amounted to ₱4.84 billion, representing 35% 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 reviewed 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. We also reviewed the Group's disclosures with respect to the fair values of the land under property, plant and equipment and investment properties.

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, 2020, total provisions recognized by the Group amounted to ₱122.3 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.

Audit Response

We inquired of the Group's legal counsels and management about the status and potential exposures of the significant claims and obtained legal opinion from the legal counsels, including their assessment of the likely outcome, and 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.

Assessment of Prospective Financial Information

The consolidated current assets and current liabilities amounted to ₱2.8 billion and ₱7.0 billion, respectively, as at September 30, 2020. The overall financing plan including estimated future cash flows to meet its short-term obligations are included in Notes 1, 5, 14 and 29 to the consolidated financial statements and is significant to our audit as these involve management estimations and judgments.

Audit Response

We obtained an understanding of the financing plan and the progress of the financing plan up to the date of this report. We traced the status of the financing plan to communications with respective banks (e.g., letter of renewal of credit line, conforme letter and term sheet). We compared key assumptions used in arriving at the estimated future cash flows such as revenue growth rate and cost and expense ratios against historical performance, current industry outlook and other relevant external data and evaluated management's sensitivity analyses for impact of reasonably possible changes in these assumptions. We reviewed the adequacy of disclosures relating to management's assessment of overall financing plans, as disclosed in Notes 1, 5, 14 and 29 to the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended September 30, 2020 but does not include the consolidated financial

statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended September 30, 2020, which is expected to be made available to us after that date.

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Aileen L. Saringan.

SYCIP GORRES VELAYO & CO.

Aileen L. Saringan
Partner
CPA Certificate No. 72557
SEC Accreditation No. 0096-AR-5 (Group A),
July 25, 2019, valid until July 24, 2022
Tax Identification No. 102-089-397
BIR Accreditation No. 08-001998-58-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 8125297, January 7, 2020, Makati City

December 16, 2020

ROXAS HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	Note	September 30 2020	2019
ASSETS			
Current Assets			
Cash and cash equivalents	7	₱888,597	₱438,268
Trade and other receivables	8	1,252,304	1,355,546
Inventories	9	442,965	1,205,848
Other current assets	10	194,012	1,285,418
		2,777,878	4,285,080
Assets Held for Sale	11	–	7,254,738
		2,777,878	11,539,818
Noncurrent Assets			
Property, plant and equipment:	12		
At cost		4,912,445	7,199,292
At revalued amount		4,537,678	1,287,002
Investment properties	13	301,948	513,561
Goodwill	6	–	1,079,615
Retirement assets - net	17	2,958	18,610
Other noncurrent assets	10	1,494,439	279,536
		11,249,468	10,377,616
		₱14,027,346	₱21,917,434
LIABILITIES AND EQUITY			
Current Liabilities			
Short-term borrowings	14	₱5,369,550	₱6,716,800
Current portion of long-term borrowings	15	–	847,576
Trade and other payables	16	1,587,787	1,175,248
Income tax payable		2,408	1,427
Lease liabilities - current portion	10	8,848	–
		6,968,593	8,741,051
Liability directly associated with the assets held for sale	11	–	616,096
		6,968,593	9,357,147
Noncurrent Liabilities			
Long-term borrowings - net of current portion	15	1,000	2,722,485
Retirement liabilities - net	17	401,205	407,259
Deferred tax liabilities - net	26	783,813	264,908
Other noncurrent liabilities		22,570	1,300
		1,208,588	3,395,952
Total Liabilities		8,177,181	12,753,099
Equity Attributable to the Equity Holders of the Parent Company			
Capital stock	18	₱1,565,579	₱1,565,579
Additional paid-in capital		2,842,183	2,842,183
Treasury stock	18	(52,290)	(52,290)
Other equity items and reserves	18	3,649,712	771,953
Retained earnings (deficit)		(2,191,115)	897,392
Revaluation increment on land under assets held for sale	12	–	2,806,661
Cumulative share in revaluation increment on land of an associate held for sale	18	–	285,600
Cumulative share in remeasurement loss on retirement liability of an associate held for sale	18	–	(7,664)
		5,814,069	9,109,414
Non-controlling Interests		36,096	54,921
		5,850,165	9,164,335
		₱14,027,346	₱21,917,434

See accompanying Notes to Consolidated Financial Statements.

ROXAS HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, except Basic and Diluted Earnings per Share)

		Years Ended September 30		
	Note	2020	2019 (As restated, Note 11)	2018 (As restated, Note 11)
CONTINUING OPERATIONS				
REVENUE				
Revenue from contracts with customers	21	₱4,798,579	₱8,147,050	₱–
Sale of goods		–	–	8,638,059
Sale of services		–	–	145,605
		4,798,579	8,147,050	8,783,664
COST OF SALES AND SERVICES	22	(4,696,756)	(8,018,420)	(8,212,127)
GROSS INCOME		101,823	128,630	571,537
GENERAL AND ADMINISTRATIVE EXPENSES	23	(703,055)	(756,078)	(697,116)
SELLING EXPENSES	23	(35,369)	(51,003)	(77,213)
INTEREST EXPENSE	14, 15	(395,997)	(445,030)	(397,349)
SHARE IN NET EARNINGS OF AN ASSOCIATE	11	–	41,333	55,834
OTHER INCOME (EXPENSES)	25	(1,317,511)	28,513	67,120
LOSS BEFORE INCOME TAX FROM CONTINUING OPERATIONS		(2,350,109)	(1,053,635)	(477,187)
INCOME TAX BENEFIT (EXPENSE)	26			
Current		(11,061)	(15,379)	(21,574)
Deferred		4,310	(303,561)	225,151
		(6,751)	(318,940)	203,577
NET LOSS FROM CONTINUING OPERATIONS		(2,356,860)	(1,372,575)	(273,610)
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX	11	(1,468,925)	(516,361)	328,278
		(₱3,825,785)	(₱1,888,936)	₱54,668
NET INCOME (LOSS) ATTRIBUTABLE TO:				
Equity holders of the Parent Company		(₱3,813,129)	(₱1,884,113)	₱47,664
Non-controlling interests		(12,656)	(4,823)	7,004
		(₱3,825,785)	(₱1,888,936)	₱54,668
EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	27			
Basic		(₱2.46)	(₱1.22)	₱0.03
Diluted		(2.46)	(1.22)	0.03
EARNINGS (LOSS) PER SHARE FOR CONTINUING OPERATIONS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	27			
Basic		(₱1.51)	(₱0.89)	(₱0.17)
Diluted		(1.51)	(0.89)	(0.17)
EARNINGS (LOSS) PER SHARE FOR DISCONTINUED OPERATIONS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	27			
Basic		(₱0.95)	(₱0.33)	₱0.20
Diluted		(0.95)	(0.33)	0.20

See accompanying Notes to Consolidated Financial Statements.

ROXAS HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

		Years Ended September 30		
	Note	2020	2019 (As restated, Note 11)	2018 (As restated, Note 11)
NET INCOME (LOSS)		(₱3,825,785)	(₱1,888,936)	₱54,668
OTHER COMPREHENSIVE INCOME (LOSS)	18			
Items not to be reclassified to profit or loss				
Appraisal increase on land (net of tax effect of ₱107.9 million in 2020, ₱18.6 million in 2019 and ₱4.6 million in 2018)	12	491,994	43,374	10,782
Remeasurement gains (losses) on retirement assets and liabilities (net of tax effect of ₱9.1 million in 2020, ₱38.7 million in 2019 and ₱34.4 million in 2018)	17	(80,449)	(90,374)	80,249
Share in remeasurement gain (loss) on retirement liability of an associate (net of tax effect of ₱2.3 million in 2020, nil in 2019 and ₱0.6 million in 2018)	11	(5,335)	–	1,501
Reversal of deferred tax assets on remeasurement losses on retirement assets and liabilities	18	–	(96,589)	–
Effect of change in effective tax rate on revaluation increment of assets held for sale	18	–	410,731	–
Share in appraisal increase on land of an associate (net of tax effect of ₱9.1 million in 2019 and ₱24.3 million in 2018)	11	–	21,295	56,813
TOTAL COMPREHENSIVE INCOME (LOSS)		(₱3,419,575)	(₱1,600,499)	₱204,013
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Equity holders of the Parent Company		(₱3,407,627)	(₱1,595,567)	₱196,520
Non-controlling interests		(11,948)	(4,932)	7,493
		(₱3,419,575)	(₱1,600,499)	₱204,013

See accompanying Notes to Consolidated Financial Statements.

ROXAS HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(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)	Revaluation Increment on Land Under Assets Held for Sale (Note 12)	Retained Earnings	Total	Non-controlling Interests	Total Equity
Balances as at September 30, 2019		**₱1,565,579**	**₱2,842,183**	**(₱52,290)**	**₱1,049,889**	**₱2,806,661**	**₱897,392**	**₱9,109,414**	**₱54,921**	**₱9,164,335**
Net loss:										
Continuing operations		–	–	–	–	–	(2,344,204)	(2,344,204)	(12,656)	(2,356,860)
Discontinued operations	12	–	–	–	–	–	(1,468,925)	(1,468,925)	–	(1,468,925)
Appraisal increase on land, net of tax	18	–	–	–	491,275	–	–	491,275	719	491,994
Remeasurement loss on retirement assets and liabilities, net of tax		–	–	–	(80,438)	–	–	(80,438)	(11)	(80,449)
Share in remeasurement gain on retirement liability of an associate, net of tax	11	–	–	–	(5,335)	–	–	(5,335)	–	(5,335)
Total comprehensive income (loss)		–	–	–	405,502	–	(3,813,129)	(3,407,627)	(11,948)	(3,419,575)
Effect of deconsolidation:										
Derecognition of subsidiary's accumulated earnings		–	–	–	–	–	(133,226)	(133,226)	–	(133,226)
Reversal of subsidiary's treasury shares		–	–	–	–	–	68,569	68,569	–	68,569
Acquisition of non-controlling interest		–	–	–	–	–	–	–	(6,877)	(6,877)
Adjustment on revaluation increment on land under assets held for sale	18	–	–	–	–	21,161	–	21,161	–	21,161
Reclassification of revaluation increment on land under assets held for sale		–	–	–	2,827,822	(2,827,822)	–	–	–	–
Reclassification of subsidiaries' revaluation increment on land properties sold		–	–	–	(490,888)	–	490,888	–	–	–
Reversal of deferred tax liabilities on land properties sold		–	–	–	147,266	–	–	147,266	–	147,266
Reclassification of remeasurement gains on retirement assets and liabilities		–	–	–	(25,790)	–	25,790	–	–	–

		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)	Revaluation Increment on Land Under Assets Held for Sale (Note 12)	Retained Earnings	Total	Non-controlling Interests	Total Equity
Reversal of net deferred tax liabilities on remeasurement gains on retirement assets and liabilities		–	–	–	8,512	–	–	8,512	–	8,512
Reclassification of previously held investment in associate's comprehensive income		–	–	–	(272,601)	–	272,601	–	–	–
Balances as at September 30, 2020		**₱1,565,579**	**₱2,842,183**	**(₱52,290)**	**3,649,712**	**₱–**	**(₱2,191,115)**	**₱5,814,069**	**₱36,096**	**₱5,850,165**
Balances as at October 1, 2018, as previously reported		₱1,565,579	₱2,840,370	(₱52,290)	₱1,177,585	₱2,390,419	₱2,781,402	₱10,703,065	₱59,853	₱10,762,918
Opening adjustment on PFRS 15 adoption		–	–	–	–	–	103	103	–	103
Balances as at October 1, 2018, as restated		₱1,565,579	₱2,840,370	(₱52,290)	₱1,177,585	₱2,390,419	₱2,781,505	₱10,703,168	₱59,853	₱10,763,021
Net loss:										
Continuing operations		–	–	–	–	–	(1,367,752)	(1,367,752)	(4,823)	(1,372,575)
Discontinued operations	12	–	–	–	–	–	(516,361)	(516,361)	–	(516,361)
Appraisal increase on land, net of tax	18	–	–	–	43,374	–	–	43,374	–	43,374
Remeasurement gain on retirement assets and liabilities, net of tax	17	–	–	–	(90,265)	–	–	(90,265)	(109)	(90,374)
Effect of change in effective tax rate on revaluation increment of assets held for sale	18	–	–	–	–	410,731	–	410,731	–	410,731
Reversal of remeasurement gains (losses) on retirement assets and liabilities	18	–	–	–	(96,589)	–	–	(96,589)	–	(96,589)
Share in remeasurement gain on retirement liability of an associate, net of tax	11	–	–	–	–	–	–	–	–	–
Share in appraisal increase on land of an associate, net of tax	11	–	–	–	21,295	–	–	21,295	–	21,295
Total comprehensive income (loss)		–	–	–	(122,185)	410,731	(1,884,113)	(1,595,567)	(4,932)	(1,600,499)
Reclassification of revaluation increment on land under assets held for sale		–	–	–	(5,511)	5,511	–	–	–	–
Exercise of employee stock option	20	–	1,813	–	–	–	–	1,813	–	1,813
Balances as at September 30, 2019		₱1,565,579	₱2,842,183	(₱52,290)	₱1,049,889	₱2,806,661	₱897,392	₱9,109,414	₱54,921	₱9,164,335

		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)	Revaluation Increment on Land Under Assets Held for Sale (Note 12)	Retained Earnings	Total	Non-controlling Interests	Total Equity
Balances as at September 30, 2017		₱1,564,599	₱2,826,554	(₱52,290)	₱3,419,148	₱–	₱2,733,738	₱10,491,749	₱52,360	₱10,544,109
Net income (loss):										
Continuing operations	–	–	–	–	–	–	(280,614)	(280,614)	7,004	(273,610)
Discontinued operations	12	–	–	–	–	–	328,278	328,278	–	328,278
Appraisal increase on land, net of tax	18	–	–	–	10,422	–	–	10,422	360	10,782
Remeasurement gain on retirement assets and liabilities, net of tax	17	–	–	–	80,120	–	–	80,120	129	80,249
Share in remeasurement gain on retirement liability of an associate, net of tax	11	–	–	–	1,501	–	–	1,501	–	1,501
Share in appraisal increase on land of an associate, net of tax	11	–	–	–	56,813	–	–	56,813	–	56,813
Total comprehensive income	–	–	–	–	148,856	–	47,664	196,520	7,493	204,013
Reclassification of revaluation increment on land under assets held for sale		–	–	–	(2,390,419)	2,390,419	–	–	–	–
Employee stock option	20	–	12,356	–	–	–	–	12,356	–	12,356
Exercise of employee stock option	20	980	1,460	–	–	–	–	2,440	–	2,440
Balances as at September 30, 2018		₱1,565,579	₱2,840,370	(₱52,290)	₱1,177,585	₱2,390,419	₱2,781,402	₱10,703,065	₱59,853	₱10,762,918

See accompanying Notes to Consolidated Financial Statements.

ROXAS HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

		Years Ended September 30		
	Note	2020	2019 (As restated, Note 11)	2018 (As restated, Note 11)
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before income tax from continuing operations		(₱2,350,109)	(₱1,053,635)	(₱477,187)
Loss before income tax from discontinued operations	11	(1,453,059)	(359,161)	386,226
Adjustments for:				
Depreciation and amortization	12	1,260,142	566,516	775,308
Loss from disposal of property, plant and equipment	12	1,165,773	4,719	38
Loss from impairment of goodwill	6	1,079,615	–	–
Interest expense	14, 15	639,640	704,156	501,788
Gain on sale of:				
Investment in associate	11, 25	(258,311)	–	–
Investment in subsidiary	4, 25	(64,009)	–	–
Investment property	13, 25	(16,677)	–	–
Movement of retirement liabilities	17	(129,694)	55,910	64,777
Unrealized gain on fair value adjustment on investment properties	13	(13,387)	(21,680)	(27,531)
Share in net earnings of an associate	11	(2,193)	(41,333)	(55,834)
Interest income	25	(4,442)	(4,013)	(2,600)
Employee stock option	20	–	1,813	12,356
Net unrealized foreign exchange gains	25	–	–	(1)
Operating income (loss) before changes in working capital		(146,711)	(146,708)	1,177,340
Decrease (increase) in:				
Trade and other receivables		84,301	1,684,806	(782,272)
Inventories		762,883	1,440,344	(106,559)
Other current assets		(306,826)	(89,931)	(126,261)
Increase (decrease) in trade and other payables		528,959	(1,084,447)	1,082,361
Net cash generated from operations		922,606	1,804,064	1,244,609
Income taxes paid, including final taxes		(12,079)	(21,435)	(32,550)
Interest received		4,439	4,013	2,600
Retirement benefits paid	17	–	(530)	(350)
Net cash flows provided by operating activities		914,966	1,786,112	1,214,309
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property, plant and equipment including additions to investment properties and assets held for sale	12, 31	(335,087)	(268,999)	(1,185,332)
Proceeds from disposal of:				
Property, plant and equipment	12	4,207,532	4,988	7,117
Investment in associate	11	870,813	–	–
Investment in subsidiary	4	142,267	–	–
Investment property		50,000	–	–
Dividends received	11	40,255	49,419	78,226
Increase (decrease) in other noncurrent assets		174,814	6,032	(258,999)
Net cash flows provided by (used in) investing activities		5,150,594	(208,560)	(1,358,988)

(Forward)

	Note	Years Ended September 30 2020	2019 (As restated, Note 11)	2018 (As restated, Note 11)
CASH FLOWS FROM FINANCING ACTIVITIES	31			
Net availments (payments) of short-term borrowings		(₱1,347,250)	₱505,943	₱1,602,498
Payments of:				
Long-term borrowings	15	(3,569,061)	(1,243,052)	(1,242,222)
Interest	15	(679,968)	(697,324)	(494,266)
Principal portion of lease liabilities	10	(18,952)	–	–
Proceeds from exercise of stock option	20	–	–	2,440
Net cash flows used in financing activities		(5,615,231)	(1,434,433)	(131,550)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		450,329	143,119	(276,229)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		–	–	1
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		438,268	295,149	571,377
CASH AND CASH EQUIVALENTS AT END OF YEAR	7	₱888,597	₱438,268	₱295,149

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.

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).

On February 1, 2017, the Board of Directors (BOD) approved the issuance of convertible debt securities amounting to ₱523,750,000 to FP Natural Resources Holdings B.V. (FPNRH), convertible to 125,000,000 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%.

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, 2020 and 2019 and for each of the three years in the period ended September 30, 2020, as reviewed and recommended for approval by the Group's Audit and Risk Committee on December 14, 2020, were approved and authorized for issue by the Parent Company's BOD on December 16, 2020.

Status of Operations

The Group's current assets and current liabilities amounted to ₱2.8 billion and ₱7.0 billion, respectively, as of September 30, 2020 and ₱11.5 billion (including ₱7.3 billion assets held for sale) and ₱9.4 billion (including ₱ 0.6 billion liabilities directly associated with the assets held for sale), respectively, as of September 30, 2019. As part of the Group's plans to support its working capital requirements, the Group is continuously in coordination with respective banks for the refinancing of short-term obligations for a minimum period of at least 7 years after September 30, 2020 (see Notes 14 and 29). Management has also been implementing plant efficiency and sustainability measures as well as cost cutting programs to improve results of operations.

2. Basis of Preparation and Statement of Compliance

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for land under property, plant and equipment which is measured at revalued amount and investment properties and retirement assets 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 the 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 that the Group has adopted the following new accounting pronouncements and amendments starting October 1, 2019. Except as otherwise indicated, the following did not have significant impact on the consolidated financial statements:

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

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

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

  The effect of adoption PFRS 16 as at October 1, 2019 is, as follows (amounts in thousands):

	Increase (decrease)
Consolidated statement of financial position:	
Other noncurrent assets (right-of-use assets)	₱72,460
Prepayments	(25,713)
Lease liabilities	(46,747)
Deferred tax assets	14,024
Deferred tax liabilities	(14,024)

  The Group has lease contracts for various items of machinery, vehicles, other equipment and farm land. Before the adoption of PFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Refer to Note 4 for the accounting policy prior to October 1, 2019.

  Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases of machinery, vehicles and other equipment and leases of low-value assets. Refer to Note 4 for the accounting policy beginning October 1, 2019.

Leases previously classified as finance leases
The Group did not change the initial carrying amounts of recognized assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognized under PAS 17). The requirements of PFRS 16 were applied to these leases from October 1, 2019.

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

The Group also applied the available practical expedients wherein it:
- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

Based on the above, as at October 1, 2019:
- Right-of-use assets of ₱72,460 were recognized and presented under Other noncurrent assets in the consolidated statement of financial position.
- Lease liabilities of ₱46,747 were recognized.
- Prepayments of ₱25,713 related to previous operating leases were derecognized.
- Deferred tax assets and deferred tax liabilities each amounting to ₱14,024 were recognized.

The lease liability at as October 1, 2019 as can be reconciled to the operating lease commitments as of September 30, 2019 follows (amounts in thousands except percentage):

Operating lease commitments as at September 30, 2019	₱141,156
Weighted average incremental borrowing rate at October 1, 2019	5.93%
Discounted operating lease commitments at October 1, 2019	107,177
Less: Commitments relating to short term leases	(60,430)
Lease liabilities recognized at October 1, 2019	₱46,747

Due to the adoption of PFRS 16, the Group's operating profit in 2020 improved, while its interest expense increased. This is due to the change in the accounting for rent expense related to leases that were classified as operating leases under PAS 17.

The adoption of PFRS 16 did not have an impact on equity in 2020, since the Group elected to measure the right-of-use assets at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the consolidated statement of financial position immediately before the date of initial application.

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

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

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

The entity is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

Upon adoption of the Interpretation, the Group has assessed whether it has any uncertain tax position. The Group applies significant judgement in identifying uncertainties over its income tax treatments. The Group determined, in consultation with its tax counsel, that it is probable that its income tax treatments will be accepted by the taxation authorities. Accordingly, the interpretation did not have a significant impact on the consolidated financial statements of the Group.

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

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

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

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

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

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

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

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

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

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

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

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

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

- *Annual Improvements to PFRSs* 2015-2017 Cycle

  - Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*

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

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

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

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

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

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

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

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

    An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those

amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2020 (October 1, 2020 for the Group)

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

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

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

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

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

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

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

Effective beginning on or after January 1, 2021 (October 1, 2021 for the Group)

- PFRS 17, *Insurance Contracts*

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

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:
  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

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

The standard is not applicable to the Group since the Group does not issue insurance contracts.

Deferred effectivity

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

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

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

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 below is the list of the subsidiaries.

	Percentage of Ownership			Noncontrolling Interest				
	2020	2019	2018	**2020**	2019	2018	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)	**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)	**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) [1]	**100.00%**	100.00%	100.00%	**–**	–	–	Selling arm of products of RHI Group	Makati City
San Carlos Bioenergy, Inc. (SCBI) [2]	**93.35%**	93.35%	93.35%	**6.65%**	6.65%	6.65%	Production and selling of bioethanol fuel	Negros Occidental

	Percentage of Ownership			Noncontrolling Interest				Principal Place of
	2020	2019	2018	**2020**	2019	2018	Nature of Business	Business
Najalin Agri Ventures, Inc. (NAVI)	**–**	95.82 %	95.82 %	**–**	4.18%	4.18%	Agricultural and industrial development	Negros Occidental
Roxas Power Corporation (RPC)	**50.00 %**	50.00 %	50.00 %	**50.00 %**	50.00 %	50.00 %	Sale of electricity	Nasugbu, Batangas
Northeastern Port Storage Corporation (NPSC) [3]	**100.0 0%**	100.0 0%	100.0 0%	**–**	–	–	Owning the depot and storage facilities used by SCBI	Negros Occidental

[1] *As at September 30, 2020, RHIPCC has not yet started commercial operations*
[2] *Acquired in April 2015 through RPBC (see Note 6)*
[3] *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, 2018, there are only 22,656 remaining shares from the non-controlling shareholders which represent 4.18% of the total shares.

In September 2020, the RHI Board approved the sale transaction involving the Group's sugar mill and ethanol plant in La Carlota City, Negros Occidental and RHI's investment consisting of shares in NAVI to Universal Robina Corporation (URC). The sold NAVI shares comprise of 520,115 common shares of the capital stock, inclusive of four (4) common shares registered in the name of RHI's nominee directors, which in the aggregate represent 95.82% of the total issued and outstanding capital stock of NAVI. Gain on sale of shares in NAVI amounted to ₱64.0 million.

In September 2020, RHI re-acquired the remaining 4.18% of the total issued and outstanding capital stock of NAVI through settlement of NAVI's receivable from various farmers, who previously held the non-controlling interest over NAVI. As at September 30, 2020, NAVI's assets, liabilities and noncontrolling interests are derecognized in the Group's consolidated financial statements.

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 CADP Consultancy Services, Inc. (CCSI), CADP Farm Services, Inc. (CFSI) and Jade Orient Management Services, Inc. (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, 2020, the applications for the cancellation of the business 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.

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 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 RPC and SCBI (NAVI in 2019 and 2018) not held by the Group, directly or indirectly, and are presented separately in the consolidated statements of comprehensive income and within the equity section of the consolidated statements of financial position and consolidated statements 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.

Current versus Noncurrent Classification
The Group presents assets and liabilities in the consolidated statements of financial position based on current or noncurrent classification.

An asset is current when it is:
- expected to be realized or intended to be sold or consumed in the normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when it is:
- expected to be settled in the normal operating cycle;
- held primarily for the purpose of trading;
- expected to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities and retirement benefits assets and liabilities are classified as noncurrent assets and liabilities, respectively.

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

Initial recognition and measurement
Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, FVOCI, and fair value through profit or loss (FVPL).

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

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

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

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

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

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

The Group has no financial assets at FVPL and financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments) and financial assets at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).

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

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

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

As of September 30, 2020, the Group's financial assets at amortized cost include cash and cash equivalents, trade receivables, due from employees, due from related parties, other receivables and refundable deposits presented in "other current assets".

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

ECLs are recognized in two stages. (a) For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the 12 months (a 12-month ECL). (b) For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

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

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

In its ECL models, the Group relies on a broad range of forward looking information as economic updates such as inflation and gross national income.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual cash flows in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For its due from related parties, the Group applies the general expected credit loss model. The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. The Group determines probability of default and loss-given default based on available data, adjusted for forward-looking factors specific to the debtors and the economic environment.

Classification and measurement of other financial liabilities
This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations (e.g., accounts payable and accrued expenses, excluding taxes payable to the government) or borrowings (e.g., long term-debt).
The 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, discount, and any directly attributable transaction costs.

This category includes trade and other payables (excluding statutory liabilities and provision for probable losses), short-term borrowings and long-term borrowings as at September 30, 2020 and 2019 (see Notes 14, 15, 16 and 19).

Derecognition of Financial Assets and Financial Liabilities
Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:
- the right to receive cash flows from the asset has 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 right 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 right 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 financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Group could be required to repay.

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

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

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

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 Amount 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), advances to suppliers 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 statements of financial position. The net amount of VAT payable to taxation authority is included in "Trade and other payables" in the consolidated statements 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.

Advances to suppliers represent prepayment to suppliers for goods or services to be delivered / rendered in the future. A reclassification is made to the appropriate account (e.g. supplies, inventory, property and equipment) once the supplier has fulfilled the performance obligation. The classification as to current or noncurrent is determined by the usage or realization of the asset to which the advances were paid for.

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 statements of changes in equity as other comprehensive income. 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.

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

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

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

The Group discontinues the use of the equity method for its investment in associate from the date that the investment (or the portion of it) is classified as held for sale; instead, the associate or joint venture is then measured at the lower of its carrying amount and fair value less cost to sell.

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

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as net income (loss) after tax from discontinued operations in the consolidated statements of income.

Additional disclosures are provided in Note 11. All other notes to the consolidated financial statements include amounts for continuing operations, unless indicated otherwise.

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 under assets held for sale" and as part of "Other equity items and reserves", net of related deferred tax, in the consolidated statements 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 presented as follows:

Asset Category	Number of Years
Buildings and building improvements	30
Land improvements	10 to 25
Machinery and equipment:	
Factory machinery and installations	17 to 28
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.

Right-of-use Assets

Effective October 1, 2019, it is the Group's policy to recognize and classify right-of-use assets as part of noncurrent assets. Prior to that date, all of the Group's leases are accounted for as operating leases in accordance with PAS 17, hence, not recorded on the consolidated statement of financial position. The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

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

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-settled 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 statements 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 statements of changes in equity. Other comprehensive income (loss) includes revaluation increment on land, cumulative remeasurement loss on net retirement assets and liabilities 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

The Group is in the business of operating mill and refinery facilities to manufacture sugar and allied products in the Philippines in accordance with existing laws and government regulations. Revenue from contracts with customers is recognized when control of the goods and services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods and services before transferring them to the customer.

The disclosures of significant accounting judgments, estimates and assumptions relating to revenue from contracts with customers are provided in Note 5.

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

Revenue from Tolling Services. Tolling services is recognized over time, i.e., when the control of the services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

Revenue from Milling Contracts. The Group provides milling services to sugar cane planters through an output sharing agreement. Revenue arising from sugar milling operation under an output sharing agreement is recognized upon conversion of the Planter's canes into raw sugar based on the fair value of the raw sugar at the time of production. The Group recognizes revenue from milling services over time, using units of production method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.
The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g. free storage periods). In determining the transaction price for the sale of services, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (e.g. subsidies to planters). The Group has assessed that there is no significant impact arising from variable consideration, significant financing components and noncash consideration. Impact of subsidies paid to planters, which qualify as consideration payable to customers, is disclosed in Note 3.

(i) Variable consideration relating to revenue from milling contracts

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the

associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of services provide customers with a right to additional free-of-charge services (e.g. free storage periods). These additional free-of-charge services give rise to variable consideration.

To estimate the variable consideration for the expected future performance of free-of-charge services, the Group applies the "most likely amount" method for contracts using the relative stand-alone selling price of the services. The Group then applies the requirements on constraining estimates of variable consideration and recognizes a contract liability for the expected future performance of services.

(ii) Significant financing component
Generally, the Group receives customer deposits from its customers. Using the practical expedient in PFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less. The Group then recognizes a contract liability for the customer deposits received.

(iii) Consideration payable to customer relating to revenue from milling contracts
The Group provides subsidies to planters in the form of cash subsidies for transportation and hauling cost of sugar cane from sugar cane farms to mill site. The consideration payable to customer is accounted for as a reduction in the transaction price unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the Group.

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

Trade receivables. A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets under Financial Assets and Financial Liabilities - Financial assets at amortized cost (debt instruments).

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

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.

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

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
Lease liabilities - effective October 1, 2019
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

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

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of machinery, vehicles and other equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., ₱250,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Accounting Policies Prior to October 1, 2019

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 Group 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.

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 (Loss) per Share
The Group presents basic and diluted earnings (loss) per share. Basic earnings (loss) per share is calculated by dividing the profit (loss) attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the 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.

Revenue from contracts with customers - Identifying performance obligations. The Group has contracts with customers that involve the promise to deliver goods and provide free storage periods to customers which qualify as distinct performance obligations and are therefore accounted for separately. The Group determined that these are capable of being distinct as the Group can sell these goods and services on a stand-alone basis which indicates that the customer can benefit from both goods and services independently on their own. The Group also determined that the promises to transfer the goods and services are distinct within the context of the contract. The goods and services are not inputs to a combined item in the contract. The Group is not providing a significant integration service because the presence of the goods and services together in this contract do not result in any additional or combined functionality and neither among the goods and services listed in the contract modify or customize the other. In addition, the services are not highly interdependent or highly interrelated because the Group would be able to transfer the goods and services even if the customer declined the other goods and services and would be able to provide the main goods in relation to products sold by other entities. Moreover, these goods and services can also be offered by other entities. Consequently, the Group allocated the transaction price to the performance obligations based on relative stand-alone selling prices.

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, 2020, 2019 and 2018 are sugar and alcohol (see Note 32).

Determining the Existence of Control in Investee Companies. Control is presumed to exist when the 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 (effective prior to October 1, 2019). 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 ₱14.4 million and ₱13.5 million, respectively, included in "Cost of goods sold" and "General and administrative expenses" accounts, in 2019 and 2018, respectively (see Notes 22, 23 and 28).

- 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 from the lease of agricultural land of NAVI amounted to ₱6.2 million, ₱6.7 million and ₱5.4 million in 2020, 2019 and 2018, respectively (see Note 13).

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

The Group included the renewal period as part of the lease term for lease of farm land with shorter non-cancellable period (i.e., three to five years). The Group typically exercises its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available. The renewal periods for lease of farm land with longer non-cancellable periods (i.e., 10 to 15 years) are not included as part of the lease term as these are not reasonably certain to be exercised.

Determining the classification of assets held for sale and discontinued operations. On May 23, 2018, the Group has reached an agreement with a buyer for the sale of the Group's sugar milling and refining operations in Batangas (the "Proposed Sale Transaction"). Management believes that the assets subject to the Proposed Sale Transaction are available for immediate sale and can be sold to the buyer in its current condition as of September 30, 2018. Further, management believes that the PCC approval is required in relation to similar transactions. On February 12, 2019, the PCC issued a decision disapproving the Proposed Sale Transaction. Nonetheless, the Group remained committed to sell the assets in Batangas and was negotiating with a prospective buyer as of September 30, 2019. The Group has assessed that the subject assets are available for immediate sale in their present condition and sale is highly probable as of September 30, 2019. The sale of sugar milling and refining operations represents a disposal of a separate geographical area of operations of the Group hence, the consolidated statements of income present its results of operations as discontinued operations in 2019. However, as of September 30, 2020, the criteria for classification as held for sale are no longer met thus; the assets were reclassified to property, plant and equipment. The Group's sugar milling and refinery operations in Batangas are measured at carrying amounts before the assets are classified as held for sale as adjusted for any depreciation, amortization or revaluation that would have been recognized if had not been so classified. The assets' total carrying amount is lower than the recoverable amount at the date of the subsequent decision not to sell. Accordingly, results of Batangas operations are presented in the consolidated statements of income as part of continuing operations in 2020.

On September 18, 2020, the BOD approved the sale of the Group's sugar mill and ethanol plant in La Carlota City, Negros Occidental and RHI's investment properties consisting of shares in NAVI (the "Sale Transaction") to URC. Under the terms of the Sale Transaction, URC will acquire all buildings, improvements, machineries and equipment, laboratory equipment, as well as the land on which these plant and buildings are located and investment properties that are necessary for the continuing operations of the mill and ethanol plant. On September 30, 2020, the parties proceeded to close the Sale Transaction, with the signing and delivery of the definitive sale agreements as well as performance of all conditions necessary for the closing of the transaction. The sale of the mill and ethanol plant located at La Carlota City, Negros Occidental represents a disposal of a separate major operating segment of the Group hence, the consolidated statements of income present its results of operations as discontinued operations.

As a result of the preceding circumstances, results of operations presented in the consolidated statements of income and the corresponding notes to the financial statements in 2019 and 2018 were restated to reflect continuing operations of CADPI and exclude from continuing operations the discontinued operations of CACI, RBC and NAVI.

Moreover, on August 1, 2019, the BOD authorized the evaluation and negotiation of terms and conditions of the sale of investment in Hawaiian-Philippine Company (HP Co.) comprising of 28,549,365 common shares. Accordingly, such investment has been classified as part of assets held for sale as of September 30, 2019. On November 5, 2019, the said investment in associate held for sale was sold.

As at September 30, 2020 and 2019, assets held for sale amounted to nil and ₱7,254.7 million, respectively (see Notes 11 and 12).

Assessment of Prospective Financial Information. The assumptions used in the Group's prospective financial information involve management making judgments, at a particular point in time, about the future outcome of events or conditions. Management takes into account a whole range of factors which include, but are not limited to, expected operations and profitability and potential sources of additional financing. Management has future financing and operating plans regarding the Group, as discussed in Notes 1, 14 and 29.

As of September 30, 2020, the key assumptions used in the assessment of the Group's financial condition and prospective financial information are as follows:

Sales growth (average of less than 10% year on year) - Management based the projected sales growth on the production capacity of its plants over the forecast period.

Manufacturing costs ratio (averaging at 79% over the forecast period) - Management based the ratio of production costs over sales on its historical experience.

Operating expenses ratio (averaging at 12% over the forecast period) - Management based the ratio of operating expenses over sales on its historical experience.

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.

Provision for expected credit losses

- *Due from related parties using general approach*
  The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. The Group used the general approach which considers the probability of its counterparty to default in its obligation and the expected loss at default after considering the effects of collateral, any potential value when realized, forward-looking estimates and time value of money.

  Under PFRS 9, additional judgments are also made in assessing a significant increase in credit risk in the case of financial assets measured using the general approach. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition.

The Group's due from related parties amounted to nil and ₱100.1 million as at September 30, 2020 and 2019, respectively (see Notes 8 and 19). Allowance for expected credited losses on due from related parties amounted to nil as at September 30, 2020 and 2019 (see Note 8).

- *Trade and other receivables using simplified approach*
  For trade receivables, the Group applies a simplified approach in calculating ECLs, therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to debtors and the economic environment. As at September 30, 2020 and 2019, the Group's trade and other receivables (excluding due from related parties and due from planters and cane haulers) amounted to ₱1,210.3 million and ₱1,155.7 million, respectively (see Note 8). Allowance for expected credited losses on trade and other receivables amounted to ₱ 75.3 million and ₱ 45.2 million as at September 30, 2020 and 2019, 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, 2020 and 2019, the inventories carried at lower of cost and NRV amounted to ₱ 443.0 million and ₱ 1,205.8 million, respectively (see Note 9). Allowance for inventory losses and obsolescence amounted to ₱73.3 million and ₱97.7 million as at September 30, 2020 and 2019, 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, 2020 and 2019, portion of molasses inventory amounting to ₱ 9.4 million and ₱9.1 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, 2020 and 2019, the carrying amount of creditable withholding taxes (net of allowance amounting to ₱12.2 million as of both years) amounted to ₱1,354.4 million and ₱970.1 million, respectively, (see Note 10).

Determining the Revaluation Amount 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 external 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, 2020 and 2019 amounted to ₱4,537.7 million and ₱1,287.0 million, respectively (see Note 12). Appraisal increase, net of tax, amounted to ₱ 494.4 million, ₱43.4 million and ₱10.4 million in 2020, 2019, and 2018, respectively (see Note 18).

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.

In 2018, the Group's review indicated that the estimated useful life of buildings and improvements and machinery and equipment, mostly pertaining to the production plants, should be extended from 25 years to 30 years, and 18-25 years to 18-28 years, respectively, effective October 1, 2017. This is based on the Group's reassessment of the expected period over which the Group will benefit from the use of these assets. Management, with the involvement of its project engineers, performed internal technical evaluation, in determining the estimated useful life of these assets. There were no changes to the estimated useful lives of other items of property, plant and equipment.

The change in estimated useful life reduced the depreciation expense under continuing operations by ₱32.6 million in 2018.

The carrying amount of the depreciable property, plant and equipment as at September 30, 2020 and 2019 amounted to ₱4,912.4 million and ₱7.199.3 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 external appraisers using Market Data Approach based on gathered available market evidences. The latest appraisal reports were made for the valuation dates as of September 30, 2020 and 2019.

Investment properties stated at fair value amounted to ₱301.9 million and ₱513.6 million as at September 30, 2020 and 2019, respectively (see Note 13). The unrealized gain on fair value adjustment of investment properties amounted to ₱13.4 million, ₱21.7 million and ₱27.5 million in 2020, 2019 and 2018, respectively, recorded under "Other income" in the consolidated statements of income (see Note 25).

Measurement of assets held for sale. The assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The determination of fair values requires estimates of economic conditions and other factors. The fair value was based on the appraisal values of the assets, while the cost to sell is primarily the documentary stamp tax related to the sale of assets. As at September 30, 2019, assets held for sale are measured at its carrying amount of ₱7,254.7 million, which is lower than its fair value less costs to sell.

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.

Property, plant and equipment amounting to ₱4,912.4 million and ₱7,199.3 million as at September 30, 2020 and 2019, respectively (see Note 12), 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.

The recoverable amount of property, plant and equipment has been determined based on the value-in-use calculations using cash flow projections from financial budgets covering as approved by management a five-year period of projection. The projected cash flows were based on expectations on future outcomes taking into account past experiences, adjusted for anticipated revenue growth based on management's future plans. The key assumptions used in determining the recoverable amount as of September 30, 2020 and 2019 are as follows:

Sales growth (average of 6.0% to 11.8% year on year) - Management based the projected sales growth on the production capacity of its plant over the forecast period.

Terminal growth rate (1.0% and 4.0% in 2020 and 2019, respectively) - Cash flows beyond the five-year period are extrapolated growth rate using a 1.0% and 4.0% in 2020 and 2019, respectively, which is within the long-term average growth rate for bioethanol industry.

Alcohol selling price (average of less than 1% year on year) - Management based the unit price of bioethanol on the average historical experience in the market.

Feedstock yield (average of less than 1% year on year) - Management based the feedstock yield on the Group's historical experience in bioethanol produced over feedstock used.

Manufacturing costs ratio (averaging at 81% and 93% over the forecast period in 2020 and 2019, respectively) - Management based the ratio of production costs over feedstock margin on its historical experience.

Operating expenses ratio (averaging at 4% and 2% over the forecast period in 2020 and 2019, respectively) - Management based the ratio of operating expenses over feedstock margin on its historical experience.

Discount rate (12.10% and 11.35% in 2020 and 2019, respectively) - The discount rate applied to the cash flows is based on the risk free rate for 10-year bonds issued by the government in the respective market, adjusted for a risk premium to reflect both the increased risk of investing in equities and the systematic risk of the specific Group operating company. In making this adjustment, inputs required are the equity market risk premium (that is the required increased return over and above a risk-free rate by an investor who is investing in the market as a whole) and the risk adjustment beta, applied to reflect the risk of the specific Group operating company relative to the market as a whole.

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

Based on management's assessment, the recoverable amount of the goodwill is lower than the carrying value, thus goodwill on SCBI with carrying amount of ₱1,079.6 million was fully impaired in 2020 (see Note 6).

A decrease of 1% in the growth rate would have led to an impairment of property, plant and equipment amounting to ₱70.7 million, whereas a 1% increase in discount rate would have led to an impairment of property, plant and equipment amounting to ₱124.0 million.

Leases - Estimating the incremental borrowing rate. The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates.

The Group's lease liabilities amounted to ₱30.1 million as of September 30, 2020 (see Note 10).

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, 2020 and 2019, net retirement assets amounted to ₱3.0 million and ₱18.6 million, respectively, while net retirement liabilities amounted to ₱ 401.2 million and ₱ 407.3 million as at September 30, 2020 and 2019, respectively (see Note 17). Net retirement benefits expense amounted to ₱ 141.1 million, ₱55.9 million and ₱64.8 million in 2020, 2019 and 2018, 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 ₱20.9 million and ₱108.6 million as at September 30, 2020 and 2019, respectively (see Note 26).

No deferred tax assets were recognized on certain deductible temporary differences and carryforward benefits of NOLCO and excess MCIT over RCIT with income tax effect amounting to ₱1,762.0 million and ₱553.6 million as at September 30, 2020 and 2019, 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.

In 2019, the Parent Company changed its effective tax rate applicable on its temporary differences due to an intention to use Optional Standard Deduction (OSD) instead of itemized deduction. As such, deferred tax liability directly associated with the assets held for sale decreased from ₱1,024.5 million to ₱616.1 million as of September 30, 2019.

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 ₱122.3 million and ₱149.6 million as at September 30, 2020 and 2019, 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. The acquisition resulted to recognition of goodwill amounting to ₱1,079.6 million. The goodwill primarily relates to expected synergy arising from acquisition.

In September 2020, the recoverable amount of the goodwill is lower than the carrying value, thus goodwill with carrying amount of ₱1,079.6 million was fully impaired. This was caused by the lower terminal growth rate for the bioethanol industry.

7. Cash and Cash Equivalents

This account consists of:

	2020	2019
Cash on hand	₱410	₱5,077
Cash in banks	886,082	431,124
Cash equivalents	2,105	2,067
	₱888,597	₱438,268

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 ₱ 1.0 million, ₱0.4 million and ₱0.7 million in 2020, 2019, and 2018, respectively (see Note 25).

8. Trade and Other Receivables

This account consists of:

	Note	2020	2019
Trade		₱1,175,836	₱1,080,287
Due from:			
Planters and cane haulers	28	97,492	150,190
Employees		30,872	55,229
Related parties	19	–	100,066
Others		78,900	65,429
		1,383,100	1,451,201
Allowance for expected credit losses		(130,796)	(95,655)
		₱1,252,304	₱1,355,546

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 ₱3.5 million, ₱1.6 million and ₱1.7 million in 2020, 2019 and 2018, 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 a former stockholder of SCBI which are noninterest-bearing and covered by an escrow agreement. The amount is expected to be collected within the next year.
Details and movements of allowance for ECL on trade and other receivables are presented in the following tables:

		2020				
	Note	Trade	Due from Planters and Cane Haulers	Due from Employees	Others	Total
Balance at beginning of year		₱34,169	₱50,414	₱2,214	₱8,858	₱95,655
Provision	23	27,878	5,059	–	2,204	35,141
Balance at end of year		₱62,047	₱55,473	₱2,214	₱11,062	₱130,796

		2019				
	Note	Trade	Due from Planters and Cane Haulers	Due from Employees	Others	Total
Balance at beginning of year		₱33,119	₱46,731	₱2,084	₱8,858	₱90,792
Provision	23	1,050	3,683	130	–	4,863
Balance at end of year		₱34,169	₱50,414	₱2,214	₱8,858	₱95,655

9. Inventories

This account consists of:

	2020	2019
At NRV:		
Materials and supplies	₱285,086	₱553,820
Molasses	58,025	30,951
Alcohol	3,845	198,058
At cost:		
Refined sugar	70,929	375,485
Raw sugar	–	29,203
Others	25,080	18,331
	₱442,965	₱1,205,848

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 warehouse receipt document which evidences the ownership of specified quantity in a warehouse or sugar central.

Cost of inventories valued at NRV is shown below:

	2020	2019
Materials and supplies	₱304,166	₱597,745
Molasses	78,118	50,916
Alcohol	37,922	231,890
	₱420,206	₱880,551

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

	2020			
	Materials and Supplies	Alcohol	Molasses	Total
Balance at beginning of year	₱43,925	₱33,832	₱19,965	₱97,722
Provisions (reversal)	(24,845)	245	128	(24,472)
Balance at end of year	₱19,080	₱34,077	₱20,093	₱73,250

	2019			
	Materials and Supplies	Alcohol	Molasses	Total
Balance at beginning of year	₱40,038	₱17,720	₱–	₱57,758
Provisions	3,887	16,112	19,965	39,964
Balance at end of year	₱43,925	₱33,832	₱19,965	₱97,722

Provisions for inventory losses and obsolescence, net of reversals amounting to ₱ 24.5 million and ₱40.0 million, are presented as "Others" under Cost of goods sold in 2020 and 2019, respectively (see Note 22). Reversals pertain to inventories with allowance for losses and obsolescence which were sold in 2020.

Cost of inventories recognized as expense and presented as "Direct materials used" under "Cost of sales" amounted to ₱2,473.7 million, ₱5,714.9 million and ₱5,944.8 million in 2020, 2019 and 2018, respectively (see Note 22). Cost of inventories recognized as expense included as part of "Cost of sales and services" of discontinued operations amounted to ₱1,984.0 million, ₱2,118.4 million and ₱549.6 million in 2020, 2019 and 2018, respectively (see Note 11).

10. Other Assets

Current portion of this account consists of:

	2020	2019
Advances to suppliers	₱75,419	₱83,883
Input VAT	58,683	123,885
Prepayments	35,797	63,471
Refundable deposits	12,412	14,671
Creditable withholding taxes, net of allowance for probable losses of ₱12.2 million	–	970,082
Others	11,701	29,426
	₱194,012	₱1,285,418

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

Current portion of advances to suppliers represents cash paid in advance for purchase of materials and supplies.

Noncurrent portion of other assets consist of:

	2020	2019
Creditable withholding taxes	₱1,354,415	–
Input VAT	95,912	₱269,185
Right-of-use assets	44,112	–
Advances to suppliers and contractors	–	8,794
Others	–	1,557
	₱1,494,439	₱279,536

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

Right-of-use (ROU) Assets and Lease Liabilities

PFRS 16 standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the consolidated statement of financial position. Thus, the Group as lessee is required to recognize right-of-use assets and lease liabilities.

The Group has long-term lease contracts for farm land and office space.

The rollforward analysis of ROU assets and lease liabilities follows:

	Note	ROU assets	Lease Liabilities
Balance as at October 1, 2019		₱72,460	₱46,747
Depreciation	23	(28,348)	–
Payments		–	(18,952)
Interest expense		–	2,322
Balance as at September 30, 2020		₱44,112	₱30,117

	Lease Liabilities
Current portion	₱8,848
Noncurrent portion	21,269

Lease liabilities - net of current portion are presented as part of "Other noncurrent liabilities".

The following are the amounts recognized in the consolidated statement of income:

	Note	2020	2019	2018
Depreciation expense of right-of-use assets	23	₱28,348	₱–	₱–
Interest expense on lease liabilities	15	2,322	–	–
Included as "Outside services" under "Cost of Sales and Services" and "Operating Expenses" from continuing operations				
Rent expense - short-term leases	23	29,135	–	–
Rent expense - PAS 17		–	27,424	24,184
Rent expense included under "Cost of Sales and Services" and "Operating Expenses" from discontinued operations		31,295	66,118	74,845
Total amount recognized in consolidated statement of income		₱91,100	₱93,542	₱99,029

Shown below is the maturity analysis of the undiscounted lease payments:

	2020	2019
1 year	₱23,058	₱20,829
more than 1 years to 2 years	9,323	15,229
more than 2 years to 3 years	8,425	2,136
more than 3 years to 4 years	7,184	2,172
more than 5 years	3,600	5,568
	₱51,590	₱45,934

Noncurrent portion of advances to suppliers and contractors represents cash paid in advance for purchase and/or construction of property, plant and equipment.

11. Assets Held for Sale and Discontinued Operations

Included in assets held for sale as at September 30, 2019 are as follows:

Land	₱3,422,891
Machinery and equipment	2,468,869
Buildings and improvements	554,868
Furniture fixture and other improvements	75,040
Construction in-progress	63,508
Transportation equipment	12,230
Investment properties	1,433
Investment in associate	655,899
	₱7,254,738

On May 23, 2018, the Group entered into an Asset Purchase Agreement with a buyer for the sale of the Group's sugar milling and refining operations in Batangas. The consummation of the Proposed Sale Transaction was subject to the parties being able to secure the requisite regulatory approvals, corporate approvals, and other third party consents. On February 12, 2019, the PCC issued a decision disapproving the Proposed Sale Transaction. Nonetheless, the Group remained committed to sell the assets in Batangas and was negotiating with a prospective buyer as of September 30, 2019. The Group has assessed that the subject assets are available for immediate sale in their present condition and sale is highly probable as of September 30, 2019.

However, as of September 30, 2020, the criteria for classification as held for sale are no longer met; thus, the assets were reclassified to property, plant and equipment (see Note 12). The Group's sugar milling and refinery operations in Batangas are measured at carrying amounts before the assets are classified as held for sale as adjusted for any depreciation, amortization or revaluation that would have been recognized if had not been so classified. The assets' total carrying amount of ₱7.3 billion is lower than the recoverable amount at the date of the subsequent decision not to sell. Depreciation of assets of previously classified as held for sale amounting to ₱612.0 million are presented under "Other income (expense)" (see Note 25).

On September 18, 2020, the BOD approved the sale of the Group's sugar mill and ethanol plant in La Carlota City, Negros Occidental and RHI's investment properties consisting of shares in NAVI (the "Sale Transaction") to URC. Under the terms of the Sale Transaction, URC will acquire all buildings, improvements, machineries and equipment, laboratory equipment, as well as the land on which these plant and buildings are located and investment properties that are necessary for the continuing operations of the mill and ethanol plant. On September 30, 2020, the parties proceeded to close the Sale Transaction, with the signing and delivery of the definitive sale agreements as well as performance of all conditions necessary for the closing of the transaction. The sale of the mill and ethanol plant located at La Carlota City, Negros Occidental represents a disposal of a separate geographical area of operations of the Group hence, the consolidated statements of income present its results of operations as discontinued operations and are no longer presented as part of sugar and alcohol operating segments disclosure in Note 32.

As a result of the preceding circumstances, results of operations presented in the consolidated statements of income and the corresponding notes to the financial statements in 2019 and 2018 were restated to reflect continuing operations of CADPI and exclude from continuing operations the discontinued operations of CACI, RBC and NAVI.

Deferred tax liability directly associated with the assets held for sale amounted to nil and ₱616.1 million as of September 30, 2020 and 2019, respectively.

Revaluation increment on land held for sale amounted to nil and ₱2,806.7 million as of September 30, 2020 and 2019, respectively.

The results of operations of the Group's sugar milling and distillery operations in La Carlota City, Negros Occidental, are shown in the table below:

	2020	2019 (As restated)	2018 (As restated)
Revenue:			
Revenue from contracts with customers	**₱4,497,597**	₱4,772,462	₱–
Sale of goods	–	–	3,027,625
	4,497,597	4,772,462	3,027,625
Cost of sales and services	**(4,201,784)**	(4,593,432)	(2,339,800)
Gross income	**295,813**	179,030	687,825
General and administrative expenses	**(361,708)**	(307,407)	(238,340)
Selling expense	**(7,502)**	(12,710)	(16,602)
Interest expense	**(243,643)**	(259,126)	(104,439)
Loss from sale of assets	**(1,163,230)**	–	–
Other income	**27,211**	41,052	57,782
Income (loss) before income tax	**(1,453,059)**	(359,161)	386,226
Income tax benefit (expense)	**(15,866)**	(157,200)	(57,948)
Net income (loss) from discontinued operations	**(₱1,468,925)**	(₱516,361)	₱328,278

Net increase (decrease) in cash provided by CACI's, RBC's and NAVI's discontinued operations follows:

	2020	2019 (As restated)	2018 (As restated)
Net cash provided (used in) by operating activities	**₱1,037,927**	(₱1,011,586)	₱547,433
Net cash provided by (used in) investing activities	**3,282,612**	(136,682)	(347,590)
Net cash provided by (used in) financing activities	**(4,428,886)**	1,237,930	(165,369)

Earnings (loss) per share from discontinued operations follow (see Note 27):

	2020	2019 (As restated)	2018 (As restated)
Basic	**(₱0.95)**	(₱0.33)	₱0.20
Diluted	**(0.95)**	(0.33)	0.20

The Parent Company had 45.09% ownership interest in 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	2019
Acquisition cost		₱127,933
Accumulated share in net earnings:		
Balance at beginning of year		258,117
Dividends declared		(49,419)
Share in net earnings		41,333
Balance at end of the year		250,031
Cumulative share on remeasurement loss on retirement liability:	18	
Balance at beginning of year		(7,665)
Share in remeasurement gain		–
Balance at end of the year		(7,665)
Share in revaluation increment of land:	18	
Balance at beginning of year		264,305
Share in revaluation increment		21,295
Balance at end of the year		285,600
Reclassification to assets held for sale		(655,899)
		₱–

On August 1, 2019, the BOD authorized the evaluation and negotiation of terms and conditions of the sale of investment in HP Co. comprising of 28,549,365 common shares. Accordingly, such investment has been classified as part of assets held for sale as of September 30, 2019. On November 5, 2019, the said shares of stock held as an investment were sold at a higher price than the investment's carrying amount.

Cash dividends declared by HP Co. are as follows:

Date Approved	Amount per Share	Total Amount	Stockholders of Record Date	Date Paid
May 30, 2019	0.50	7,664	May 31, 2019	June 20, 2019
February 7, 2019	1.61	101,939	February 28, 2019	April 11, 2019
March 1, 2018	2.74	173,528	February 28, 2018	April 12, 2018
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

Dividends declared attributable to the Parent Company amounted to ₱40.3 million and ₱49.4 million in 2020 and 2019, respectively. The associate has no contingent liabilities or capital commitments as of September 30, 2019.

Summarized financial information of HP Co. are as follows:

	2019
Current assets	₱790,431
Noncurrent assets	1,923,293
Current liabilities	(1,034,890)
Noncurrent liabilities	(256,596)
Net assets	1,422,238
Revenue	1,943,337
Net income	91,668

12. Property, Plant and Equipment

Property, Plant and Equipment

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

	2020						
	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	₱2,347,199	₱11,547,022	₱680,642	₱189,007	₱212,011	₱378,987	₱15,354,868
Additions	–	24,784	2,439	280	2,770	304,092	334,365
Disposals	(2,157,798)	(7,064,336)	(34,116)	–	(144,849)	(452,625)	(9,853,724)
Reclassifications	9,690	236,261	1,390	–	13,774	(261,115)	–
Reclassification from assets held for sale (Note 11)	1,660,721	6,252,750	40,715	–	124,516	63,508	8,142,210
Balances at end of year	1,859,812	10,996,481	691,070	189,287	208,222	32,847	13,977,719
Accumulated Depreciation and Amortization							
Balances at beginning of year	1,164,593	6,182,846	642,590	90,957	74,590	–	8,155,576
Depreciation and amortization	171,727	985,353	19,867	11,379	27,159	–	1,215,485
Disposals	(1,149,035)	(3,973,197)	(31,888)	–	(119,363)	–	(5,273,483)
Reclassification from assets held for sale (Note 11)	1,105,853	3,717,383	32,174	–	112,286	–	4,967,696
Balances at end of year	1,293,138	6,912,385	662,743	102,336	94,672	–	9,065,274
Net Carrying Amount	₱566,674	₱4,084,096	₱28,327	₱86,951	₱113,550	₱32,847	₱4,912,445

	2019						
	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	₱2,249,166	₱11,041,223	₱663,261	₱189,007	₱185,045	₱864,199	₱15,191,901
Additions	43,618	20,649	–	–	2,376	119,723	186,366
Retirement and disposals	–	(17,922)	–	–	(5,477)	–	(23,399)
Reclassifications	54,415	503,072	17,381	–	30,067	(604,935)	–
Balances at end of year	2,347,199	11,547,022	680,642	189,007	212,011	378,987	15,354,868
Accumulated Depreciation and Amortization							
Balances at beginning of year	1,080,267	5,761,829	617,794	79,578	56,568	–	7,596,036
Depreciation and amortization	84,326	431,375	24,796	11,379	19,607	–	571,483
Retirement and disposals	–	(10,358)	–	–	(1,585)	–	(11,943)
Balances at end of year	1,164,593	6,182,846	642,590	90,957	74,590	–	8,155,576
Net Carrying Amount	₱1,182,606	₱5,364,176	₱38,052	₱98,050	₱137,421	₱378,987	₱7,199,292

Construction in progress mainly pertains to the on-going plant improvements and milling and refinery equipment for inspection and installation, which are to be completed in 2021. As at September 30, 2020 and 2019, the Group has contractual commitment for the on-going construction projects amounting to ₱297.8 million and ₱412.2 million, respectively.

The Group has no borrowing cost capitalized in 2020 and 2019. Unamortized capitalized borrowing cost as at September 30, 2020 and 2019 amounted to nil and ₱16.6 million with corresponding deferred tax of nil and ₱5.0 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 summarized as follows:

	Note	2020	2019 (As restated, Note 11)	2018 (As restated, Note 11)
Cost of sales	22	**₱158,360**	₱117,098	₱391,473
General and administrative expenses	23	**73,626**	56,595	50,492
Other expense	25	**612,044**	–	–
Discontinued operations		**416,112**	392,823	333,343
		₱1,260,142	₱566,516	₱775,308

Depreciation and amortization includes amortization of software cost of ₱ 4.8 million in 2018. As at September 30, 2020 and 2019, the software with original acquisition cost of ₱62.5 million is fully depreciated.

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

	Note	2020	2019
Balance at beginning of year		**₱1,287,002**	₱1,376,627
Reclassification from assets held for sale		**3,414,959**	–
Disposal		**(793,066)**	–
Appraisal increase	18	**628,059**	62,011
Additions		**724**	–
Reclassification to investment properties	13	**–**	(151,636)
Balance at end of year		**₱4,537,678**	₱1,287,002
At cost		**₱708,990**	₱708,266

Loss from disposal of property, plant and equipment in September 2020 amounted to ₱1.2 billion.

As at September 30, 2020 and 2019, the revaluation of land is based on the appraised values using a market data approach, as determined by Philippine SEC accredited external 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 for the valuation dates as of September 30, 2020 and 2019.

Certain property, plant and equipment and assets held for sale with a carrying amount of ₱6,728.1 million and ₱10,768.5 million as at September 30, 2020 and 2019 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	2020	2019
At fair value:			
Balance at beginning of year		₱513,561	₱347,591
Disposal		(232,932)	–
Fair value adjustment	25	13,387	21,680
Reclassification from (to) assets held for sale	12	7,932	(7,932)
Reclassifications from (to) property, plant and equipment	12	–	151,636
Others		–	586
		₱301,948	₱513,561

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 ₱6.2 million, ₱6.7 million and ₱ 5.4 million in 2020, 2019 and 2018, respectively. Direct operating expenses amounted to ₱1.8 million, ₱0.8 million and ₱0.8 million in 2020, 2019 and 2018, 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 SEC accredited external 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 fair value measurement for land has been categorized as Level 2 (directly or indirectly observable inputs). The latest appraisal reports were made for the valuation dates as of September 30, 2020 and 2019.

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 6.25% to 7.5% in 2020 and from 4.15% to 7.5% in 2019. There are no debt covenants relating to these borrowings in 2020 and 2019.

Total interest expense arising from short-term borrowings amounted to ₱269.9 million, ₱248.4 million and ₱181.0 million in 2020, 2019 and 2018, respectively (see Note 15).

On September 23, 2020, the Group sent letter request to the major creditor banks for the proposed conversion to long-term debt of outstanding short-term loans amounting to ₱ 4,750 million. As of December 16, 2020, the Group has received letter of renewal of credit line, conforme letter and term sheet from the creditor banks. The creditor banks are currently performing credit review and securing final approval on the term out requests.

15. Long-term Borrowings

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

Facility	Terms	Collateral	Outstanding Balance 2020	Outstanding Balance 2019
₱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)	₱1,000	₱1,653,125
₱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	–	786,000
₱1,400.0 million dated December 1, 2016	Quarterly principal repayment amounting to ₱66.7 million starting December 2017 until December 2022 and bears floating interest	Clean loan	–	866,656
₱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	–	271,472
Others			–	26
			1,000	3,577,279
Unamortized transaction costs			–	(7,218)
			1,000	3,570,061
Current portion			–	(847,576)
Noncurrent portion			₱1,000	₱2,722,485

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. Property, plant and equipment with a carrying amount of ₱6,728.1 million and ₱10,768.5 million as at September 30, 2020 and 2019, respectively, were mortgaged and used as collateral to secure the loan obligations with the local bank creditors (see Note 12).

Loan Covenants
The foregoing loan agreements are subject to certain covenants, such as but not limited to:

- maintenance of debt service coverage ratio (DSCR) of at least 1.25 times and debt-to-equity ratio of not more than 70:30;
- prohibition on purchase of additional equipment, except in pursuance of its sugar expansion and ethanol project, 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.

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.

As of September 30, 2020, the Group prepaid its outstanding long-term borrowings amounting to ₱2,721.5 million.

As of September 30, 2019, the Group did not meet the minimum required DSCR. Approved bank waivers on minimum DSCR requirement as of September 30, 2019 were received before September 30, 2019. Accordingly, under PAS 1, the Group classified its long-term borrowings based on its agreed maturity dates into current and noncurrent portions on its consolidated statement of financial position as of September 30, 2019.

The maturities of the long-term borrowings based on the original terms of the loan agreements are as follows:

	2020	2019
Less than one year	₱–	₱847,576
Between one to two years	–	1,404,516
Between two to five years	1,000	1,325,187
	₱1,000	₱3,577,279

Interest Expense
Interest ranges from 4.55% to 6.55%, 4.55% to 7.55% and 4.55% to 5.54% in 2020, 2019 and 2018, respectively. Interest expense arises from the following borrowings:

	Note	2020	2019	2018
Continuing operations:				
Long-term		₱123,751	₱196,607	₱216,373
Short-term	14	269,924	248,423	180,976
Lease liabilities	10	2,322	–	–
		₱395,997	₱445,030	₱397,349
Discontinued operations	12	₱243,643	₱259,126	₱104,439

16. Trade and Other Payables

This account consists of:

	Note	2020	2019
Trade		₱876,308	₱604,055
Due to:			
Related parties	19	–	95,573
Planters		22,928	14,497
Accruals for:			
Services		43,494	26,404
Taxes		35,952	1,591
Interest		12,298	52,626
Utilities		10,281	13,408
Payroll and other employee benefits		8,020	17,208
Construction in progress		6,553	6,553
Others		21,049	28,137
Provision for probable losses	23, 28	122,253	149,590
Payable to government agencies for taxes and statutory contributions		275,335	11,694
Contract liabilities	21	11,707	8,731
Others		141,609	145,181
		₱1,587,787	₱1,175,248

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

Payables to government agencies contributions for taxes and statutory and other payables are noninterest-bearing and are normally settled in the next 12 months.

Contract liabilities pertain 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, 2020 and 2019, which are noninterest-bearing, unsecured and payable on demand.

Rollforward of provision for probable losses as of September 30, 2020 and 2019 are as follows:

	Note	2020	2019
Beginning balance		₱149,590	₱7,550
Additions	23	–	144,590
Payments		(27,337)	(2,550)
Ending balance		₱122,253	₱149,590

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 Republic Act (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 personnel costs under "Cost of sales and services" and "General and administrative expenses" accounts are summarized in below.

	2020	2019	2018
Current service cost	₱50,440	₱39,530	₱50,601
Net interest cost	18,204	16,452	14,229
Settlement loss (gain)	72,787*	(72)	(53)
	₱141,431	₱55,910	₱64,777

**The settlement loss in 2020 primarily arises from separation pay for separated employees of CACI and RBC.*

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

	2020	2019	2018
Remeasurement losses (gains) on:			
Defined benefit obligation due to:			
Changes in financial assumptions	₱57,207	₱124,326	(₱124,582)
Changes in demographic assumptions	–	–	(7,223)
Experience adjustments	(8,770)	(10,442)	(744)
	48,437	113,884	(132,549)
Return on plan assets	41,118	14,369	18,508
	89,555	128,253	(114,041)
Deferred tax	(9,106)	(37,879)	33,792
	₱80,449	₱90,374	(₱80,249)

Retirement Assets and Liabilities

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

	2020	2019
Net retirement liabilities [1]	(₱401,205)	(₱407,259)
Net retirement assets [2]	2,958	18,610
Net retirement liabilities	(₱398,247)	(₱388,649)

[1] *Pertain to net retirement liabilities of CADPI and SCBI.*
[2] *Pertain to net retirement assets of the Parent Company.*

Components of net retirement liabilities:

	2020	2019
Present value of defined benefit obligation	(₱513,569)	(₱554,607)
Fair value of plan assets	115,322	165,958
	(₱398,247)	(₱388,649)

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

	2020		2019	
	Net Retirement Assets	Net Retirement Liabilities	Net Retirement Assets	Net Retirement Liabilities
Balance at beginning of year	₱18,610	(₱407,259)	₱44,938	(₱249,953)
Remeasurement loss recognized in other comprehensive income	(17,141)	(122,151)	(15,182)	(113,071)
Retirement benefits expense	1,489	(142,920)	2,503	(58,413)
Benefits paid from Group funds	–	162,318	–	529
Contribution	–	108,807	–	–
Reclassification	–	–	(13,649)	13,649
Balance at end of year	₱2,958	(₱401,205)	₱18,610	(₱407,259)

Changes in the Present Value of the Defined Benefit Obligation

	2020		2019	
	Net Retirement Assets	Net Retirement Liabilities	Net Retirement Assets	Net Retirement Liabilities
Balance at beginning of year	₱110,258	₱444,349	₱72,526	₱375,679
Current service cost	8,111	42,329	5,378	34,152
Remeasurement losses (gains) due to:				
Changes in financial assumptions	–	57,207	26,879	97,447
Experience adjustments	(989)	(7,781)	1,744	(12,186)
Benefits paid	(125,709)	(41,142)	(2,294)	(80,664)
Interest cost	5,539	21,397	6,025	29,921
Reclassification	2,790	(2,790)	–	–
Balance at end of year	₱–	₱513,569	₱110,258	₱444,349

Changes in the Fair Value of Retirement Plan Assets

	2020		2019	
	Net Retirement Assets	Net Retirement Liabilities	Net Retirement Assets	Net Retirement Liabilities
Balance at beginning of year	₱110,341	₱55,617	₱119,766	₱123,424
Remeasurements	(69,725)	(21,131)	(16,751)	2,381
Benefits paid	(44,155)	(33,165)	(2,294)	(80,062)
Contribution	–	108,807	–	–
Interest income on plan assets	6,008	2,725	9,620	9,874
Balance at end of year	₱2,469	₱112,853	₱110,341	₱55,617

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:

	2020	2019
Cash	20.7%	19.6%
Receivables	56.4%	63.1%
Available-for-sale financial assets	22.9%	17.3%
Investments in government securities	0.0%	0.0%
	100.0%	100.0%

As at September 30, 2020 and 2019, plan assets include investments in 27.4 million shares of stock of the Parent Company with a fair value amounting to ₱46.0 million and ₱65.5 million, respectively.

The principal assumptions used in determining the retirement assets and liabilities of the Group are shown below:

	Discount Rate, September 30		Discount Rate, October 1		Salary Increase Rate, September 30		Salary Increase Rate, October 1	
	2020	2019	2019	2018	2020	2019	2019	2018
RHI	3.6%	4.9%	4.9%	8.0%	4.0%	4.0%	4.0%	4.0%
CADPI	3.6%	4.9%	4.9%	8.0%	4.0%	4.0%	4.0%	4.0%
CACI	–	4.9%	4.9%	8.0%	–	4.0%	4.0%	4.0%
RBC	–	5.0%	5.0%	8.7%	–	4.0%	4.0%	4.0%
SCBI	3.7%	5.0%	5.0%	8.2%	4.0%	4.0%	4.0%	4.0%

The Group does not expect to contribute to their respective retirement funds in 2021.

The sensitivity analysis based on reasonably possible changes of the assumptions on the defined benefit obligation as at September 30, 2020 and 2019 is presented below.

		2020	2019
	Change in Assumption	Retirement Liabilities	Retirement Liabilities
Discount rate	+1.0%	(₱45,089)	(₱46,322)
	-1.0%	53,671	54,201
Salary Rate	+1.0%	52,892	54,147
	-1.0%	(45,332)	(47,114)

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	2020	2019
Less than one year	₱141,272	₱60,202
Between one and five years	88,623	204,111
Over five years	2,080,965	2,519,620
	₱2,310,860	₱2,783,933

As at September 30, 2020 and 2019, the average duration of the defined benefit obligation at the end of reporting period is 16.9 years and 16.0 years, respectively.

18. Equity

a. Capital stock and treasury stock

Details of capital stock and treasury stock follow:

	2020		2019		2018	
	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	2,000,000,000	₱2,000,000	2,000,000,000	₱2,000,000	2,000,000,000	₱2,000,000
Additions	–	–	–	–	–	–
Balance at end of year	2,000,000,000	₱2,000,000	2,000,000,000	₱2,000,000	2,000,000,000	₱2,000,000
Issued common shares "Class A"						
Balance at beginning of year	1,565,579,279	₱1,565,579	1,565,579,279	₱1,565,579	1,564,599,146	₱1,564,599
Issuances	–	–	–	–	980,133	980
Balance at end of year	1,565,579,279	1,565,579	1,565,579,279	1,565,579	1,565,579,279	1,565,579
Treasury stock	(17,643,480)	(52,290)	(17,643,480)	(52,290)	(17,643,480)	(52,290)
Issued and outstanding	1,547,935,799	₱1,513,289	1,547,935,799	₱1,513,289	1,547,935,799	₱1,513,289

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	2020	2019	2018
Equity reserves:				
Revaluation Increment on Land	12			
Balance at beginning of year		**₱430,233**	₱392,370	₱2,772,367
Reclassification of revaluation increment on land under held for sale		**2,827,822**	(5,511)	(2,390,419)
Reclassification of subsidiaries' revaluation increment on land properties		**(490,888)**	–	–
Reversal of deferred tax liabilities on land properties sold		**147,266**	–	–
Appraisal increase, net of tax		**491,275**	43,374	10,422
Balance at end of year		**3,405,708**	430,233	392,370
Cumulative Remeasurement Loss on Net Retirement Assets and Liabilities	17			
Balance at beginning of year		**(279,995)**	(93,141)	(173,261)
Reclassification of remeasurement gains on retirement assets and liabilities		**(25,790)**	–	–
Reversal of net deferred tax liabilities on remeasurement gains on retirement assets and liabilities		**8,512**	–	–
Remeasurement gain (loss), net of tax		**(80,438)**	(90,265)	80,120
Balance at end of year		**(377,711)**	(279,995)	(93,141)
Share in Revaluation Increment on Land of an Associate	11			
Balance at beginning of year		**–**	264,305	207,492
Reclassification		**–**	(264,305)	56,813
Balance at end of year		**–**	–	264,305
Cumulative Share in Remeasurement Loss on Retirement Liability of an Associate	11			
Balance at beginning of year		**–**	(7,664)	(9,165)
Reclassification		**–**	7,664	1,501
Balance at end of year		**–**	–	(7,664)
Total equity reserves		**3,027,997**	150,238	555,870
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		**₱3,649,712**	₱771,953	₱1,177,585
Revaluation increment on land under assets held for sale	11,12			
Balance at beginning of year		**₱2,806,661**	₱2,390,419	₱–
Adjustment on revaluation increment		**21,161**	–	–
Reversal of deferred tax liability due to change in effective tax rate		**–**	410,731	–
Reclassification of revaluation increment on land under held for sale		**(2,827,822)**	5,511	2,390,419
Balance at end of year		**₱–**	₱2,806,661	₱2,390,419
Share in revaluation increment on land of an associate held for sale	11			
Balance at beginning of year		**₱285,600**	₱–	₱–
Reclassification to profit and loss after disposal of investment		**(285,600)**	–	–
Reclassification from other equity items and reserves		–	264,305	–
Remeasurement gain, net of tax		–	21,295	–
Balance at end of year		**₱–**	₱285,600	₱–
Cumulative share in remeasurement loss on retirement liability of an associate held for sale	11			
Balance at beginning of year		**(₱7,664)**	₱–	₱–
Share in remeasurement loss		**(5,335)**	–	–
Reclassification to profit and loss after disposal of investment		**12,999**	–	–
Reclassification from other equity items and reserves		**–**	(7,664)	–
Balance at end of year		**₱–**	(₱7,664)	₱–

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".

In 2020 and 2019, the Parent Company's management used OSD in its income tax filing with the Bureau of Internal Revenue (BIR). The Parent Company's management believes it will continue to elect the use of OSD in 2021. As such, effective tax rate on the computation of deferred tax liability on the revaluation increment of the Parent Company's land as of September 30, 2020 and 2019 is at 18%. In 2020, the Parent Company reversed the cost to sell of previously held for sale land amounting to ₱21.2 million.

c. Track record of registration

On March 16, 1994, the Parent Company registered with the SEC its 1,000,000,000 shares, consisting of 600,000,000 Class "A" shares and 400,000,000 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

Portion of retained earnings not available for dividend declaration

	Note	2020	2019
Deferred tax assets	26	₱20,861	₱108,619
Cumulative unrealized gain on changes in fair value of investment properties, net of tax	26	194,991	185,620
Treasury stock		52,290	52,290
Accumulated earnings of subsidiaries		2,253	744,740
		₱270,395	₱1,091,269

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.

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 table below.

Quarter	High	Low
October 1, 2019 through September 30, 2020		
First	₱2.39	₱1.74
Second	1.84	1.36
Third	1.67	1.28
Fourth	2.36	1.33
October 1, 2018 through September 30, 2019		
First	1.87	1.83
Second	1.83	1.77
Third	1.72	1.69
Fourth	1.58	1.52
October 1, 2017 through September 30, 2018		
First	4.13	4.00
Second	3.42	3.28
Third	2.86	2.82
Fourth	2.19	2.14

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	Trade Payables (Note 16)	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	2020	₱44,393	₱–	₱–	₱–
			2019	62,697	–	99,670	13,149
RHI Retirement Fund, Inc. (RHIRFI)	Retirement Fund of RHI	Noninterest-bearing advances payable on demand	2020	–	–	–	–
			2019	–	–	6	55,000
CACI Retirement Fund, Inc. (CACIRFI)	Retirement Fund of CACI	Noninterest-bearing advances payable on demand	2020	5,816	–	–	–
			2019	724	–	138	27,424
Roxas Foundation, Inc.	Other related party*	Noninterest-bearing advances payable on demand	2020	–	–	–	–
			2019	–	–	252	–

Related Party	Relationship	Nature of Transaction	Year	Transactions during the Year	Trade Payables (Note 16)	Net Amount Due from Related Parties (see Note 8)	Net Amount Due to Related Parties (see Note 16)
HP Co	Associate	Purchase of raw sugar	**2020**	**1,954**	**–**	**–**	**–**
			2019	–	–	–	–
		Purchase of molasses	**2020**	**38,197**	**–**	**–**	**–**
			2019	92,514	20	–	–
		Purchase of bagasse	**2020**	**7,204**	**–**	**–**	**–**
			2019	31,422	108	–	–
		Dividend income	**2020**	**40,255**	**–**	**–**	**–**
			2019	49,419	–	–	–
Total			**2020**		**₱–**	**₱–**	**₱–**
			2019		128	100,066	95,573

**Other related party pertains to an entity under common control of the RHI Group management*

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, 2019, advances to RHIRFI, CADPRFI and CACIRFI are included in "Trade and other receivables" account. The Group's retirement funds hold RHI shares amounting to ₱46.0 million and ₱65.5 million as of September 30, 2020 and 2019, respectively (see Note 17).

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. As at September 30, 2020 and 2019, total amount of trade and non-trade receivables and payables with related parties eliminated during consolidation amounts to ₱5,414.0 million and ₱8,243.5 million, respectively, while revenue and expense eliminated amounts to ₱1,724.3 million, ₱2,996.1 million and ₱3,042.9 million as at September 30, 2020, 2019 and 2018, 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 2020, 2019 and 2018. 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	2020	2019	2018
Salaries and wages and other short-term benefits		**₱116,046**	₱110,777	₱100,095
Retirement benefits		**22,783**	21,959	18,805
Employee stock option	20	**–**	1,068	1,642
		₱138,829	₱133,804	₱120,542

20. Employee Stock Option Plans (ESOP)

The BOD of the Parent 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 Parent 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 Parent Company's unissued shares have been initially reserved under the first and second ESOP, respectively.

The fair value of the First and Second ESOP was estimated at the date of grant using Black Scholes-Merton model with inputs summarized below.

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.

Unexercised shares under first ESOP and second ESOP were forfeited as at September 30, 2018 and 2019, respectively.

The employee stock option expense recognized for employee services received amounted to nil, ₱1.7 million and ₱7.2 million in 2020, 2019 and 2018, respectively, presented as part of "Personnel costs" account under continuing operations (see Note 24) and nil, ₱0.1 million, and ₱0.6 million in 2020, 2019 and 2018, respectively, presented as part of "Personnel costs" account under discontinued operations.

21. Revenue

a. The components of revenue are as follows:

	2020	2019 (As restated, Note 11)	2018 (As restated, Note 11)
Sale of goods:			
Refined sugar	**₱1,479,693**	₱3,370,338	₱5,574,509
Raw sugar	**1,457,274**	1,627,212	825,132
Alcohol	**975,092**	2,055,762	1,804,200
Molasses	**232,134**	324,209	424,361
Carbon dioxide	**4,995**	11,774	9,857
	4,149,188	7,389,295	8,638,059
Sale of services:			
Milling (Note 3)	**461,472**	496,231	–
Tolling fees	**158,198**	214,915	97,712
Farm services	**21,807**	17,643	18,329
Power	**7,914**	28,966	29,564
	649,391	757,755	145,605
	₱4,798,579	₱8,147,050	₱8,783,664

b. Contract Balances

The Group's trade and other receivables amounted to ₱1,210.3 million and ₱1,255.8 million September 30, 2020 and 2019, respectively (see Note 8).
The Group has no contract assets as at September 30, 2020 and 2019.

Contract liabilities mainly result from customers' deposits on sale of goods which is generally recognized at a point in time and sale of services for which revenue is generally recognized over time. Contract liabilities will be recognized as revenue when the related goods are delivered and services are rendered. As at September 30, 2020 and 2019, contract liabilities amounted to ₱11.7 million and ₱8.7 million, respectively, and these will be recognized as revenue in the following year (see Note 16). Contract liabilities as of October 1, 2018 amounting to ₱8.2 million were recognized as revenue in 2019.

c. Performance Obligations

The performance obligations on the sale of goods and services are satisfied when the related goods are delivered and services are rendered. Payment is generally due within 15 to 120 days from performance.

22. Cost of Sales and Services

	Note	2020	2019 (As restated, Note 11)	2018 (As restated, Note 11)
Direct materials used	9	**₱2,473,698**	₱5,714,895	₱5,944,840
Milling cost		**811,049**	510,678	–
Fuel and oil		**336,446**	573,627	762,558
Personnel costs	24	**259,707**	240,600	272,137
Depreciation and amortization	12	**158,360**	117,099	387,869
Outside services		**147,569**	174,040	201,508
Repairs and maintenance		**140,592**	179,631	97,660
Productivity assistance and other planter's subsidies		**89,423**	69,451	225,086
Communication, light and water		**66,123**	103,070	79,957
Taxes and licenses		**49,688**	54,333	47,428
Materials and consumables		**43,466**	57,111	147,496
Others	9	**120,635**	223,885	45,588
		₱4,696,756	₱8,018,420	₱8,212,127

23. Operating Expenses

General and Administrative Expenses

The components of general and administrative expenses are as follows:

	Note	2020	2019 (As restated, Note 11)	2018 (As restated, Note 11)
Personnel costs	24	**₱347,055**	₱375,727	₱379,707
Taxes and licenses		**84,799**	58,207	59,316
Depreciation and amortization	12	**73,626**	56,595	54,054
Outside services		**60,325**	95,542	91,422
Professional fees		**41,669**	27,573	17,801
Provision for impairment losses on receivables	8	**28,533**	3,237	12,174
Communication, light and water		**17,249**	16,332	16,097
Organizational activities		**6,204**	7,745	9,799
Travel and transportation		**6,121**	8,338	12,879
Materials and consumables		**5,902**	6,302	2,986
Corporate social responsibility		**3,594**	4,149	3,451
Repairs and maintenance		**3,554**	3,599	11,620
Entertainment, amusement and recreation		**2,047**	2,719	4,006
Provision for probable losses	16, 28	**–**	70,000	3,853
Others		**22,377**	20,013	17,951
		₱703,055	₱756,078	₱697,116

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

Selling Expenses

Selling expenses, representing mandatory fees paid to various regulatory agencies prior to sale of sugar, mainly pertains to delivery charges, sugar liens and dues and monitoring fees totaling ₱35.4 million, ₱51.0 million and ₱77.2 million in 2020, 2019 and 2018, respectively.

24. Personnel Costs

Personnel costs include:

	Note	2020	2019 (As restated, Note 11)	2018 (As restated, Note 11)
Salaries, wages, allowances and other employee benefits		**₱544,592**	₱561,624	₱586,259
Retirement benefits	17	**62,170**	52,992	58,393
Employee stock option	20	**–**	1,711	7,192
		₱606,762	₱616,327	₱651,844

The amount of personnel costs are allocated as follows:

	Note	2020	2019 (As restated, Note 11)	2018 (As restated, Note 11)
Cost of sales	22	**₱259,707**	₱240,600	₱272,137
General and administrative expenses	23	**347,055**	375,727	379,707
		₱606,762	₱616,327	₱651,844

25. Other Income - net

This account consists of:

	Note	2020	2019 (As restated, Note 11)	2018 (As restated, Note 11)
Impairment of goodwill	6	**(₱1,079,615)**	₱–	₱–
Gain on sale of properties and investments	4, 11, 13	**337,571**	–	–
Depreciation of assets previously classified as held for sale	12	**(612,044)**	–	–

	Note	2020	2019 (As restated, Note 11)	2018 (As restated, Note 11)
Fair value adjustment of investment properties	13	13,387	2,374	27,532
Storage, handling and insurance fees		9,103	6,862	8,777
Sales of scrap		3,996	3,006	11,392
Interest income	7, 8	1,554	380	658
Others		8,537	15,891	18,761
		(₱1,317,511)	₱28,513	₱67,120

Others mainly pertain to income from conversion rights, 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:

	Note	2020 Net Deferred Tax Assets	2020 Net Deferred Tax Liabilities[1]	2019 Net Deferred Tax Assets[2]	2019 Net Deferred Tax Liabilities[3]
Deferred tax assets recognized in profit or loss:					
Retirement liabilities	17	₱–	₱1,250	₱35,419	₱1,461
Various accruals		–	–	12,194	15,283
NOLCO		–	–	–	8,989
Unamortized past service cost		–	–	16,053	–
Excess MCIT		–	–	–	6,608
Allowances for:					
Expected credit losses	8	–	–	280	–
Inventory losses and obsolescence	9	–	415	4,206	841
Impairment losses of CWT		–	–	–	841
Employee stock option		–	–	–	4,534
Customer's deposits		–	–	1,754	156
Lease liabilities		–	9,035	–	–
Prepayment reclassified as part of ROU assets		–	7,714	–	–
Deferred milling costs		–	2,447	–	–
		–	20,861	69,906	38,713
Deferred tax liabilities recognized in profit or loss					
Unamortized capitalized interest	12	–	–	(67,526)	(5,092)
Revaluation increment on land and depreciable assets		–	(202,868)	–	(206,820)
Unamortized transaction cost		–	–	(2,380)	(882)
Unrealized fair value gain on investment properties		–	–	–	(4,969)
Retirement assets	17	–	–	–	(2,884)
Deferred milling costs		–	–	–	(3,751)
ROU assets		–	(13,234)	–	–
		–	(216,102)	(69,906)	(224,398)
Deferred tax liabilities recognized in other comprehensive income:					
Cumulative remeasurement losses on retirement asset		–	–	–	(9,167)
Revaluation increment on land, including on land previously classified as held for sale		–	(588,572)	–	(70,056)
		–	(804,674)	(69,906)	(303,621)
Net deferred tax assets (liabilities)		₱–	(₱783,813)	₱–	(₱264,908)

[1] Recognized net deferred tax liabilities of RHI, CADPI, SCBI, ADC and NPSC.
[2] Recognized net deferred tax assets of CADPI and ADC
[3] Recognized net deferred tax liabilities of RHI, CACI, RBC, SCBI, NAVI and NPSC

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 presented as follows:

	2020	2019
NOLCO	₱5,579,753	₱1,499,442
Excess MCIT over RCIT	27,288	51,076
Allowance for expected credit losses	130,796	94,722
Provision for inventory losses and obsolescence	71,867	80,899
	₱5,809,704	₱1,726,139

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

NOLCO

Year Incurred	Balance as at September 30, 2019	Additions	Applied	Expired	Balance as at September 30, 2020	Available Until
September 30, 2020	₱–	₱4,118,515	₱–	₱–	₱4,118,515	September 30, 2025*
September 30, 2019	927,928	–	(21,275)	–	906,653	September 30, 2022
September 30, 2018	554,585	–	–	–	554,585	September 30, 2021
September 30, 2017	46,892	–	–	46,892	–	September 30, 2020
	₱1,529,405	₱4,118,515	(₱21,275)	₱46,892	₱5,579,753	

**In accordance with Revenue Regulations No. 15-2020, the unused NOLCO shall be presented in the Notes to Financial Statements, showing in detail, the following: (1) taxable year in which the net operating loss was sustained or incurred and (2) any amount thereof claimed as NOLCO deduction within 5 consecutive years.*

Excess MCIT

Year Incurred	Balance as at September 30, 2019	Additions	Applied	Expired	Balance as at September 30, 2020	Available Until
September 30, 2020	₱–	₱1,451	₱–	₱–	₱1,451	September 30, 2023
September 30, 2018	25,837	–	–	–	25,837	September 30, 2021
September 30, 2017	31,847	–	–	(31,847)	–	September 30, 2020
	₱57,684	₱1,451	₱–	(₱31,847)	₱27,288	

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

	2020	2019	2018
Income tax benefit (expense) at statutory tax rate	₱1,140,950	(₱423,839)	₱26,932
Tax effects of:			
NOLCO and excess of MCIT over RCIT for which no related deferred tax assets were recognized	(733,077)	–	–
Impairment loss on goodwill	(323,885)	–	–
Gain on sale subjected to capital gains tax	206,577	–	–
Nondeductible expenses	(123,409)	116,333	(26,232)
Effect of using optional standard deduction of Parent Company	(79,045)	(231,206)	–
Effect of 5% statutory tax rate of SCBI	(45,891)	18,617	28,453
Temporary differences for which no deferred tax assets were recognized	(36,842)	–	–
Adjustments resulting from derecognition of deferred tax assets	(27,346)	59,309	(8,700)
Dividend income exempt from income tax	12,076	–	–
Net income subject to income tax holiday (ITH)	(10,081)	(3,444)	117,086
Interest income subject to final tax	236	(538)	146

	2020	2019	2018
Unallowable interest expense	–	4,247	(21)
Share in net earnings of an associate	–	(27,226)	16,750
Others	(2,880)	11,607	(8,781)
	(₱22,617)	(₱476,140)	₱145,633

The current income tax expense of the Group in 2020, 2019 and 2018 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

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 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 December 3, 2013 until December 3, 2020;
- 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.

Total tax incentives availed of amounted to nil, ₱36.8 million and ₱31.8 million in 2020, 2019 and 2018, 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.

f. Last November 26, 2020, the Senate approved on 3rd and final reading Senate Bill No. 1357, otherwise known as the "Corporate Recovery and Tax Incentives for Enterprises Act" or "CREATE", which seeks reduction in the corporate income tax rates and to rationalize the current fiscal incentives by making it time-bound, targeted, and performance-based.

As of December 16, 2020, the provisions reflected in the said bill will still be reconciled with the House of Representatives' version, through a Bicameral Conference (BICAM) and may still be subject to change depending on the results thereof.

g. Last September 11, 2020, the President signs into law the "Bayanihan to Recover as One Act" or "Bayanihan 2", an act in response to COVID-19 to accelerate the recovery and bolster the resiliency of the Philippine economy.

The net operating loss of the business or enterprise for taxable years 2020 and 2021 shall be carried over as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss. This shall remain in effect even after the expiration of this Act.

27. Earnings per Share

Earnings per share is computed as follows:

	2020		2019		2018	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Net income (loss) attributable to the equity holders of the Parent Company (a)	(₱3,813,129)	(₱3,813,129)	(₱1,884,113)	(₱1,884,113)	₱47,664	₱47,664
Weighted average number of common shares outstanding for basic EPS	1,547,936	1,547,936	1,547,936	1,547,936	1,565,337	1,565,337
Weighted average number of common shares adjusted for effect of dilution (b)	1,547,936	1,547,936	1,547,936	1,547,936	1,565,337	1,565,337
Earnings (loss) per share (a/b)	(₱2.46)	(₱2.46)	(₱1.22)	(₱1.22)	₱0.03	₱0.03

Earnings per share for continuing and discontinued operations (Note 12) is computed as follows:

	2020		2019		2018	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Net income (loss) attributable to equity holders of the Parent Company from continuing operations (a)	(₱2,344,204)	(₱2,344,204)	(₱1,367,752)	(₱1,367,752)	(₱266,610)	(₱266,610)
Net income (loss) attributable to equity holders of the Parent Company from discontinued operations (b)	(₱1,468,925)	(₱1,468,925)	(₱516,361)	(₱516,361)	₱328,278	₱328,278
Weighted average number of common shares outstanding for basic EPS	1,547,936	1,547,936	1,547,936	1,547,936	1,565,337	1,565,337
Weighted average number of common shares adjusted for effect of dilution (c)	1,547,936	1,547,936	1,547,936	1,547,936	1,565,337	1,565,337
Earnings (loss) per share (a/c)	(₱1.51)	(₱1.51)	(₱0.89)	(₱0.89)	(₱0.17)	(₱0.17)
Earnings (loss) per share (b/c)	(₱0.95)	(₱0.95)	(₱0.33)	(₱0.33)	₱0.20	₱0.20

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 December 2017, milling contracts of CADPI with the planters were revised to provide for a 32% and 68% sharing between CADPI and the planters, respectively. This agreement is effective until crop year 2021 to 2022. 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:

	2020		2019	
	Total Volume *(in Thousands) (LKg*)*	**Estimated Market Value** *(Amounts in Millions)*	Total Volume *(in Thousands) (LKg*)*	Estimated Market Value *(Amounts in Millions)*
Raw sugar	**5**	**6,935**	158	₱237
Refined sugar	**59**	**112,451**	484	934

**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, RBC and SCBI entered into various sales contracts with its major customers for the sale of refined sugar and alcohol. Outstanding sales contracts for refined sugar amounted to ₱183.8 million for 86,165 lkg bags, ₱467.8 million for 198,681 lkg bags and ₱1,407.4 million for 672,344 lkg bags as at September 30, 2020, 2019 and 2018, respectively, and nil, ₱315.3 million for 5,323,499 liters and ₱415.0 million for 7,511,654 liters for anhydrous alcohol as at September 30, 2020, 2019 and 2018, respectively.

d. Crop Loan and Contract Growing Agreements

RADC entered into crop loan and contract growing agreements with various planters for the scheduled delivery of sugar cane for the crop year 2017 to 2018. Advances made to planters related to these agreements as at September 30, 2020 and 2019 amounted to ₱57.4 million and ₱26.3 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, 2020 and 2019 are as follow:

	2020	2019
Within one year	**₱13,038**	₱18,592
After one year but not more than five years	**–**	13,038
	₱13,038	₱31,630

Total rent expense from the related contracts amounted to ₱4.2 million, ₱14.4 million and ₱13.5 million in 2020, 2019 and 2018, 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 "Productivity assistance and other planter's subsidies" account under "Cost of goods sold", amounted to ₱89.4 million, ₱69.5 million and ₱225.1 million in 2020, 2019 and 2018, 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. Unused Credit Lines

The Group has unused lines of credit with various local banks amounting to ₱96.3 million and nil as at September 30, 2020 and 2019, respectively.

i. Contingencies

The Group has several pending claims and assessments, the expected ultimate outcome of which is based on management's judgment in consultation with its legal counsel. Disclosure of additional details beyond the present disclosures may seriously prejudice the Group's position. Thus, as allowed by PAS 37, only general disclosures were provided.

Outstanding provision for losses for disputed claims and assessments amounted to ₱122.3 million and ₱149.6 million as at September 30, 2020 and 2019, respectively, 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, 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 or settle its obligations or at a reasonable price.

The Group's objective is to maintain continuity of funding. The Group's policy is to maximize the use of suppliers' credit for all its major purchases and limit major capital expenditures at a reasonable level. The Group monitors its risk to a shortage of funds through monitoring of financial investments and financial assets and projected cash flows from operations. The Group's objectives to manage its liquidity profile are: (a) to ensure that adequate funding is available at all times; (b) to meet commitments as they arise without incurring unnecessary costs; and (c) to be able to access funding when needed at the least possible cost.

The Group monitors its cash position by a system of cash forecasting. All expected collections, check disbursements and other payments are determined on a weekly basis to arrive at the projected cash position to cover its obligations.

The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The Group has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders. On September 23, 2020, the Group sent letter requests to the major creditor banks for the proposed term out of outstanding short-term loans amounting to ₱4,750 million (see Note 14).

The tables below summarize the maturity profile of the Group's loans and receivables held for managing liquidity and other financial liabilities based on contractual undiscounted payments.

	September 30, 2020				
	On demand	Less than one year	Over 1 year but less than 2 year	Over 2 year	Total
Financial assets:					
Cash and cash equivalents	₱888,597	₱–	₱–	₱–	₱888,597
Trade receivables***	371,009	742,780	–	–	1,113,789
Due from employees***	28,658	–	–	–	28,658
Other receivables***	67,838	–	–	–	67,838
	1,356,102	742,780	–	–	2,098,882
Financial liabilities					
Trade and other payables**	362,347	827,852	–	–	1,190,199
Short-term borrowings*	–	5,705,147	–	–	5,705,147
Noncurrent portion of long-term borrowings*	–	–	–	1,173	1,173
Lease liabilities	–	23,058	9,323	19,209	51,590
	362,347	6,556,057	9,323	20,382	6,948,109
Liquidity position (gap)****	₱993,755	(₱5,813,277)	(₱9,323)	(₱20,382)	(₱4,849,227)

*Includes expected future interest payments for short-term and long-term borrowings amounting to ₱335.6 million and ₱0.2 million, respectively.
** Excludes payables to government agencies amounting to ₱283.9 million and provision for losses amounting to ₱122.2 million.
***Net of related allowances for impairment losses totaling ₱75.3 million.
****Liquidity position is expected to improve within the next 12 months as the Group is continuously in coordination with respective banks for the refinancing of short-term obligations for a minimum period of at least 7 years after September 30, 2020 (see Notes 1 and 14)

	September 30, 2019				
	On demand	Less than one year	Over 1 year but less than 2 year	Over 2 year	Total
Financial assets:					
Cash and cash equivalents	₱438,268	₱–	₱–	₱–	₱438,268
Trade receivables***	120,094	926,024	–	–	1,046,118
Due from employees***	53,015	–	–	–	53,015
Due from related parties	100,066	–	–	–	100,066
Other receivables***	56,571	–	–	–	56,571
	768,014	926,024	–	–	1,694,038
Financial liabilities					
Trade and other payables**	165,533	848,431	–	–	1,013,964
Short-term borrowings*	–	7,186,976	–	–	7,186,976
Current portion of long-term borrowings*	–	1,036,218	–	–	1,036,218
Noncurrent portion of long-term borrowings*	–	–	1,540,622	1,411,386	2,952,008
	165,533	9,071,625	1,540,622	1,411,386	12,189,166
Liquidity position (gap)	₱602,481	(₱8,145,601)	(₱1,540,622)	(₱1,411,386)	(₱10,495,128)

*Includes expected future interest payments for short-term and long-term borrowings amounting to ₱470.2 million and ₱418.1 million, respectively.
** Excludes payables to government agencies amounting to ₱11.7 million and provision for losses amounting to ₱125.0 million.
***Net of related allowances for impairment losses totaling ₱45.2 million.

Credit Risk

Credit risk is the risk that the Group incurs a loss because its customers, clients or counterparties failed to discharge their contractual obligation. To mitigate this risk, it is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures, which includes evaluation of the customers' financial standing and determination of allowable credit limit and credit terms. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry. The Group does not have significant concentrations of credit risk as the Group's customers and dealers are dispersed throughout the country.

To reduce the Group's exposure to bad debts, the Group took a conservative approach in its credit risk management. A policy has been developed to ensure that processes and risk-aversion are carefully observed to eliminate dealings with business entities that may pose collection issues in the future. This policy reinforces the Group's procedures for identifying and managing exposures to credit risk. Since the Group trades only with recognized third parties, there is no requirement for collateral.

With respect to credit risk arising from other financial assets of the Group which consist of cash, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. There are no collaterals or other credit enhancements held over these assets.

a. Risk concentrations of the maximum exposure to credit risk

There is a significant concentration of credit risk within the Group given that the Group has limited creditors, stockholders and local banks.

With respect to credit risk arising from the Group's financial assets, which comprise cash and receivables, the Group's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amount of these instruments.

b. As at September 30, 2020 and 2019, the analysis of financial assets follows:

	2020			
	Neither Past Due nor Impaired	Past Due but not Impaired	ECL	Net of allowance for ECL
Loans and receivables:				
Cash and cash equivalents*	₱888,187	₱–	₱–	₱888,187
Trade and other receivables				
Trade receivables	805,031	370,804	(62,046)	1,113,789
Due from employees	28,658	2,214	(2,214)	28,658
Other receivables	–	78,900	(11,062)	67,838
Refundable deposits**	12,412	–	–	12,412
	₱1,734,288	₱451,918	(75,322)	₱2,110,884

*Excluding cash on hand amounting to 0.4 million.
**Included as part of other assets (see Note 10)

	2019			
	Neither Past Due nor Impaired	Past Due but not Impaired	ECL	Net of allowance for ECL
Loans and receivables:				
Cash and cash equivalents*	₱433,191	₱–	₱–	₱433,191
Trade and other receivables				
Trade receivables	980,551	99,736	(34,169)	1,046,118
Due from employees	53,015	2,214	(2,214)	53,015
Due from related parties	100,066	–	–	100,066
Other receivables	–	65,429	(8,858)	56,571
Refundable deposits**	14,671	–	–	14,671
	₱1,581,494	₱167,379	(₱45,241)	₱1,703,632

Excluding cash on hand amounting to 5.1 million.
***Included as part of other assets (see Note 10)*

The Group's neither past due nor impaired receivables are high grade receivables which, based on experience, are highly collectible and exposure to bad debt is not significant.

As at September 30, 2020 and 2019, the age of the entire Group's past due but not impaired receivables is over 60 days (see Note 8).

Trade Receivables
The Group uses a provision matrix to calculate ECL for trade receivables. The provision rates are determined based on the Group's historical observed default rates analyzed in accordance to days past due by grouping of customers based on customer type and channels. The Group adjusts historical default rates to forward-looking default rate by determining the closely related economic factors affecting each customer segment. At each reporting date, the observed historical default rates are updated and changes in the forward-looking estimates are analyzed.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix as of September 30, 2020 and 2019.

	2020					
		Days past due				
	Current	<30 days	30-60 days	61 to 90 days	> 90 days	Total
Estimated credit loss rate	0%	6%	14%	22%	38%	5%
Estimated total gross carrying amount at default	₱1,013,723	₱126	₱5,310	₱2,294	₱154,383	₱1,175,836
Expected credit loss	1,390	7	722	501	59,427	62,047

	2019					
		Days past due				
	Current	<30 days	30-60 days	61 to 90 days	> 90 days	Total
Estimated credit loss rate	2%	5%	22%	32%	43%	3%
Estimated total gross carrying amount at default	₱944,627	₱122,712	₱1,790	₱28	₱11,130	₱1,080,287
Expected credit loss	22,606	6,401	399	9	4,754	34,169

c. Impairment analysis

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

For due from related parties, an impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type or by payors). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, due from related parties are written-off if the account is at least one year past due and are deemed uncollectible after subjecting to all possible collection effort activities. No ECL was recognized on due from related parties as of September 30, 2020 and 2019.

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 ₱5,369.6 million and ₱7,583.5 million as at September 30, 2020 and 2019, 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 2020 and 2019. The estimates are based on the outstanding interest-bearing liabilities of the Group with floating interest rate as at September 30, 2020 and 2019.

	2020		2019	
Increase (Decrease)	Effect on Income before Tax	Effect on Equity	Effect on Income before Tax	Effect on Equity
0.25%	(₱13,424)	(9,397)	(₱18,959)	(₱13,271)
(0.25%)	13,424	9,397	18,959	13,271

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, 2020 and 2019.

Management considers the total consolidated equity (excluding noncontrolling interest) amounting to ₱5,814.1 million and ₱9,109.4 million as of September 30, 2020 and 2019, respectively, reflected in the consolidated statements of financial position as its capital. The Group monitors its use of capital using leverage ratios, specifically, debt-to-equity ratio. 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.

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 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, trade receivables, due to and from related parties, due from employees, other receivables, trade and other payable and short-term borrowings. 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, 2020 and 2019 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:

Date of valuation: September 30, 2020	Carrying Value	Fair Value based on significant observable inputs (Level 2)
Assets measured at fair value		
Land under property, plant and equipment (see Note 12)	₱4,537,678	₱4,537,678
Investment properties (see Note 13)	301,948	301,948
Liabilities for which fair value is disclosed		
Fixed interest rate loan (see Note 15)	1,000	1,000

Date of valuation: September 30, 2019	Carrying Value	Fair Value based on significant observable inputs (Level 2)
Assets measured at fair value		
Land under property, plant and equipment (see Note 12)	₱1,287,002	₱1,287,002
Investment properties (see Note 13)	513,561	513,561
Liabilities for which fair value is disclosed		
Fixed interest rate loan (see Note 15)	1,057,472	1,131,495

31. Notes to Consolidated Statements of Cash Flows

a. Changes in liabilities arising from financing activities are as follows:

2020	Beginning Balance	Cash Flows	Interest Expense	Amortization of Transaction Costs	Ending Balance
Current interest-bearing loans and borrowings	₱6,716,800	(₱1,347,250)	₱–	₱–	₱5,369,550
Noncurrent interest-bearing loans and borrowings	3,570,061	(3,569,061)	–	–	1,000
Interest on loans and borrowings	52,626	(679,968)	632,422	7,218	12,298
Total liabilities from financing activities	₱10,339,487	(₱5,596,279)	₱632,422	₱7,218	₱5,382,848

2019	Beginning Balance	Cash Flows	Interest Expense	Amortization of Transaction Costs	Ending Balance
Current interest-bearing loans and borrowings	₱6,210,857	₱505,943	₱–	₱–	₱6,716,800
Noncurrent interest-bearing loans and borrowings	4,813,113	(1,243,052)	–	–	3,570,061
Interest on loans and borrowings	45,794	(697,324)	699,633	4,523	52,626
Total liabilities from financing activities	₱11,069,764	(₱1,434,433)	₱699,633	₱4,523	₱10,339,487

32. 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 2020, 2019 and 2018, ₱ 2,496.3 million (26%), ₱ 4,095.7 million (29%) and ₱ 2,628.0 million (or 35%), respectively, of the Group's total revenue were derived from two customers.

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

2020	Sugar	Alcohol	Eliminations	Consolidated
Revenue:				
External customers	₱3,810,578	₱988,001	₱–	₱4,798,579
Inter-segment	472,396	3,512	(475,908)	–
Cost of goods sold:				
Direct materials used	2,300,290	636,658	(463,250)	2,473,698
Productivity assistance and other planter's subsidies	61,926	27,497	–	89,423
Fuel and oil	266,477	69,969	–	336,446
Depreciation and amortization	30,576	127,784	–	158,360
Interest expense	359,974	36,023	–	395,997
Segment profit (loss)	(2,147,324)	(209,536)	–	(2,356,860)
Other disclosures:				
Capital expenditures	128,471	25,803	–	154,274

	2019 (As restated, Note 11)			
	Sugar	Alcohol	Eliminations	Consolidated
Revenue:				
External customers	₱6,042,355	₱2,104,695	₱–	₱8,147,050
Inter-segment	384,750	53,987	(438,737)	–
Cost of goods sold:				
Direct materials used	4,642,708	1,510,674	(438,487)	5,714,895
Productivity assistance and other planter's subsidies	34,974	34,477	–	69,451
Fuel and oil	307,040	266,587	–	573,627
Depreciation and amortization	21,514	95,585	–	117,099
Interest expense	(414,624)	(30,406)	–	(445,030)
Segment profit (loss)	(1,261,325)	(111,250)	–	(1,372,575)
Other disclosures:				
Capital expenditures	187,280	81,719	–	268,999

	2018 (As restated, Note 11)			
	Sugar	Alcohol	Eliminations	Consolidated
Revenue:				
External customers	₱6,952,424	₱1,831,240	₱–	₱8,783,664
Inter-segment	434,351	85,931	(520,282)	–
Cost of goods sold:				
Direct materials used	5,281,113	1,184,008	(520,281)	5,944,840
Productivity assistance and other planter's subsidies	188,285	36,801	–	225,086
Fuel and oil	542,096	220,462	–	762,558
Depreciation and amortization	290,618	97,251	–	387,869
Interest expense	(397,349)	–	–	(397,349)
Segment profit (loss)	(374,435)	100,825	–	(273,610)
Other disclosures:				
Capital expenditures	368,248	193,538	–	561,786
Investment in associate	642,690	–	–	642,690

33. Impact of COVID-19 Pandemic

The COVID-19 pandemic which broke out in early 2020 resulted to nationwide mandated lockdowns and negatively impacted the Philippine economy. While the sugar business units were not significantly impacted, the community quarantine imposed decreased demand for fuel that resulted to early plant shutdown of the Group's alcohol units. The Group also produced 70% alcohol which were sold and donated to help with the pandemic. As disclosed in Note 1, as part of the Group's plans to support its working capital requirements, the Group is continuously in coordination with respective banks for the refinancing of short-term obligations for a minimum period of at least 7 years after September 30, 2020. Management has also been implementing plant efficiency and sustainability measures as well as cost cutting programs to improve results of operations.

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Share Information

Shares of Roxas Holdings, Inc. are listed at the Philippine Stock Exchange, Inc..

Stock Code

PSEi: **ROX**

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