C O V E R S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

P W - 1 5 A

COMPANY NAME

R O X A S H O L D I N G S , I N C . A N D
S U B S I D I A R I E S

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

1 4 t h F l o o r , N e t O n e C e n t e r ,
2 6 t h c o r . 3 r d A v e n u e ,
B o n i f a c i o G l o b a l C i t y , T a g u i g ,
M e t r o M a n i l a

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A C F S	C R M D	N / A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
corporatesecretary@rhi.com.ph	(02) 8771-7800	09985914710

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
2,080	February 18	September 30

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ma. Hazel L. Rabara-Retardo	hazel.rabara@rhi.com.ph	(02) 8810-8901	–

CONTACT PERSON's ADDRESS

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

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

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

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. 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

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

(Forward)

	Note	September 30 2020	2019
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**	–	–	–
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

	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
			Equity Attributable to the Equity Holders of the Parent Company							
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	2020	2019 (As restated, Note 11)	2018 (As restated, Note 11)
		Years Ended September 30		
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.

ROXAS HOLDINGS, INC. AND SUBSIDIARIES

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				Principal Place of
	2020	2019	2018	**2020**	2019	2018	Nature of Business	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
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)]	**100.00%**	100.00%	100.00%	**–**	–	–	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.

<u>Current versus Noncurrent Classification</u>
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.

<u>Cash and Cash Equivalents</u>
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).

<u>Derecognition of Financial Assets and Financial Liabilities</u>
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.

<u>Offsetting of Financial Instruments</u>
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.

<u>Right-of-use Assets</u>
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.

<u>Software Cost</u>
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).

<u>Revenue Recognition</u>
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 P1,079.6 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:

			Outstanding Balance	
Facility	Terms	Collateral	**2020**	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

(Forward)

Facility	Terms	Collateral	Outstanding Balance 2020	2019
₱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.

	Change in Assumption	**2020** **Retirement Liabilities**	2019 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)

(Forward)

	Note	2020	2019	2018
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

	Note	2020	2019	2018
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

	Note	2020	2019	2018
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	₱–

	Note	2020	2019	2018
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	–
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)**	–	–
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:

		2020		2019	
	Note	**Net Deferred Tax Assets**	**Net Deferred Tax Liabilities[(1)]**	Net Deferred Tax Assets[(2)]	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	–

(Forward)

		2020		2019	
	Note	**Net Deferred Tax Assets**	**Net Deferred Tax Liabilities[1]**	Net Deferred Tax Assets[2]	Net Deferred Tax Liabilities[3]
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**	–	–

(Forward)

	2020	2019	2018
Net income subject to income tax holiday (ITH)	**(₱10,081)**	(₱3,444)	₱117,086
Interest income subject to final tax	**236**	(538)	146
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.

SGV
Building a better working world

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

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Roxas Holdings, Inc. and subsidiaries as at and for the years ended September 30, 2020 and 2019, included in this Form 17-A, and have issued our report thereon dated December 16, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Revised Securities Regulation Code (SRC) Rule 68 and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

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December 16, 2020